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Economics and Built Heritage

Seminar proceedings
Built heritage – value adding sector

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Nordic co-operation

Economics and Built HeritageNordic cooperation is one of the world's most extensive forms of regional collaboration, involving Denmark, Finland, Iceland, Norway, Sweden, and three autonomous areas: the Faroe Islands, Greenland, and Åland.

Nordic cooperation has firm traditions in politics, the economy, and culture. It plays an important role in European and international collaboration, and aims at creating a strong Nordic community in a strong Europe.

Nordic cooperation seeks to safeguard Nordic and regional interests and principles in the global community. Common Nordic values help the region solidify its position as one of the world's most innovative and competitive.

Content

Preface

Internationally, the economic valuation of built heritage is a lively field of research. In the Nordic countries, however, this field has been relatively little known, even though the needs for research-based knowledge are clear. In this context, the Economics and Built Heritage project aims to raise public awareness about the value adding potential of heritage, gather information and data sources, prepare a Nordic and Baltic research agenda and network researchers across national borders. In December 2005, the project organised in Helsinki a conference titled 'Built Heritage – Value Adding Sector'. It was a success, gathering 130 speakers and participants from Finland, Germany, Latvia, Norway, Sweden and the USA.

The event produced an understanding that while the cultural heritage field needs economic arguments to convince decision-makers and advocate enlightened preservation policies, only detailed, case-specific studies are instrumental in drawing the point home. All values, not only monetary profits, should be analysed, calling for valuation methods that conceptualise heritage both as private and public good. Methodologically, studies in economics of built heritage should therefore valorise both revealed and stated preferences, accounting for both use and nonuse values of heritage objects and sites.

Among researchers of cultural economy, there is a broad agreement that historic preservation is a societally significant activity and that its benefits outweight the costs. Heritage can be seen as an asset in the knowledge and creative economy. There is a lot do, however, to raise the economic analysis of built heritage to a level where it truly helps decision-making in the various scales from single projects to national budgets. This modest publication collects presentations and papers of the 'Built Heritage – Value Adding Sector' event. Its emphasis is in 1) raising the 'strategic' discourse (as outlined by Randall Mason) of heritage economics in the Nordic countries and 2) showing some examples how heritage valuation could perform in planning and decision-making.

Beware and Be Interested

Why and how we make economic arguments for heritage conservation[1]

Randall Mason
University of Pennsylvania

In his keynote speech, Randall Mason examines the economic arguments made about conservation activity, and proposes a framework for including economic discourse as part of conservation practice. Mason makes an important distinction between economic thinking and business thinking. While there is a broad agreement that the benefits of historic preservation outweight the costs, one cannot necessarily gain big monetary profits in conservation. Rather, built heritage adds value in many, sometimes complex ways, calling for careful, strategic application of economic arguments. Furthermore, a thoughtful engagement with economics discourse will lead to a dynamic new research agenda and strengthen the conservation field's hand in policy discussions and decisions.

Introduction: Conservation discourse and economics discourse

Conservation has transformed in the last generation, from a fairly closeted practice pursued as an end in itself, to a field increasingly viewed as the means to other social ends, such as greater sense of place, sustainable development, cultural diversity or tourism income. As part of this transforma-

1 This essay is based on the keynote lecture of the 'Built Heritage – Value Adding Sector' conference. With kind permission of the author, the editors included excerpts from Mason's forthcoming article 'Beware and Be Interested: Joining Economic Valuation and Heritage Conservation.'

The third topic is pragmatic: Is heritage priceless, or can it reasonably be priced? The answer is: both. Heritage places bear many kinds of value, and conservation yields diverse benefits, both public and private. While the private values are easy to price, public values resist quantification and are undermined by expression only in terms of price. – The difficulties arising from economists' and culturalists' different conceptions of value[3] have led to some innovative thinking by economists about estimating prices for the full spectrum of heritage goods, and these present interesting directions for future research based on collaborations between economists, other social scientists, humanities scholars, and conservation experts.

I The central place of 'values' in conservation

Value-centered theory is a powerful way to describe the variety of meanings, uses and functions ascribed to heritage places in contemporary society. The significance and scope of values-centered conservation theory has been outlined elsewhere.[4] Of particular relevance to this article, a values-centered approach to conservation demonstrates why an understanding of economic value is essential.

The two main points of values-centered theory are that buildings and places have a number of different kinds of value, and reckoning with a broader range of a place's values will result in better conservation decisions and outcomes.

'Value' is used here in the sense of 'characteristic' or 'quality', not as a synonym of 'ethic' or 'principle'. A place has historic value owing to its age, or association with an historic event or person; it may have cultural or symbolic value stemming from its significance in the identity of a cultural group; it may have aesthetic value if it is regarded as beautiful, sublime, or artistic. While several, distinct kinds of value can be identified, they also overlap and are interrelated. These cultural values are the traditional core of conservation interest.

Heritage places have a number of other, more contemporary values, including economic, social and environmental values. These values shape public attitudes and decisions very strongly, but traditionally have been dismissed by conservationists. Economic values are interpreted in several

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3 Klamer and Zuidhof 1999.

4 de la Torre, ed. 1999; Mason 2006.

lic values. If conservation yielded mostly private benefits, economic logic would suffice. The private values of heritage can be priced and traded in markets (consider real estate markets for historic houses). Heritage creates value outside of market processes and therefore cannot be priced – for instance, the value of heritage in forming national pride or community feeling – and these public goods cannot be directly measured (by definition there is no market for a public good) although prices for its provision can be estimated. This leads to the difficulties of quantification, and to the whole range of methodological approaches economists have devised to account for both kinds of value. Economic values should not be studied in isolation of the other values of heritage.

II Beware and Be Interested

For those coming from the economics field, conservation is a marginal concern. Economics is most concerned with the production and distribution of wealth, and conservation just doesn't figure too heavily in this (vis-à-vis the whole economy). It is not thought to be a significant part of most regional or national economies – though tourism dependent upon heritage certainly belies this disinterest. For a relatively small cadre of economists working in 'cultural economics,' heritage is of interest as a case of market failure and thus public-good provision and the measurement challenges this poses. This subfield is analogous to environmental economics, and indeed draws heavily on concepts and analytics created to deal with environmental conservation and efforts to integrate conservation with broader economic development agendas under the rubric of sustainable development.

For those coming from the conservation and other cultural fields, there is a resistance to speaking about the economics of conservation, let alone adopting the methods of academic economists. Questions of economics, quantitative measurement or financial justification are set aside as secondary to the core (and priceless) concerns of cultivating historical memory, sustaining cultural fabric, protecting culture on behalf of future generations. Pricing the priceless is anathema. Conservation is rooted in the art world, in cultural spheres that were safely defined in the 19th century as distinct and separate from the world of markets. This distinction – casting economics as a player in a zero-sum game – is no longer defensible, though it remains part of the culture of the conservation field. Consider the Burra

a ways of social decision-making – they are great for some things, poor for others. As markets are lent more weight in social writ large, economic discourse becomes more influential.[6] This situational understanding of economics discourse contrasts to the totalizing understanding often assumed for economics – expressed most vividly in the work of Chicago School economists, such as Gary Becker, suggesting that everything can be priced, or more subtly in some cultural economists' substitution (not modification) of a economic axiology for the traditional Reiglian axiology of heritage values centered on the multiplicity of cultural values.

(II) Economics is a social science in the broadest sense, concerned with a wide range of topics having to do with philosophy and the understanding of social phenomena, especially the myriad issues about how material wealth is produced, distributed and consumed. Economic thinking in this sense is exciting, eye-opening, and powerful.[7] Business thinking is consumed, more narrowly, with making profits. Applying economic thinking to the specific end of profitability, business thinking seeks to accumulate, not illuminate. Economic and business thinking are too often conflated, and we do so at our peril – economic thinking is a powerful way of examining the relationships between conservation and broader society, and if it is painted with the same brush as business thinking (often regarded as an enemy of conservation) we lose an important tool in the research toolbox.

For those outside the conservation field, economic concerns are often focused on broad, bottom-line questions like "Does preservation pay [generate profits]?" or "Does government conservation policy or direct investment in conservation yield sufficient returns?" These are bad and even foolish questions. They are at once too narrow (focusing only on market values) and too broad (it is impossible to generalize across all conservation projects because the kinds of benefits are so varied). Such questions are matters of ethical and political belief, open mostly to provide ideologically determined answers, and it misleads to offer objective answers to them.

Arguments for economic gains tend to be a zero-sum game: the answer is either yes or no; profitable or not profitable; benefits exceed the costs, or vice versa. If one weighs conservation and an alternative investment on strictly economic/market basis, conservation rarely will win. Values-centered theory protects against this by preventing one value from trumping all others. By fully adopting the market logic of the bottom line, conserva-

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6 Slater and Tonkiss 2001.

7 This idea has been popularized by the recent bestseller *Freakonomics* by Levitt and Dubner.

the place. Quantitative analyses of the economic aspects of these uses of heritage can be politically influential, as evidence by wide use of economic impact studies.

So economic values must be taken seriously if conservation work and decisions are to be seen as credible by larger society. We cannot act on belief and faith in the importance of cultural heritage to social well-being on the basis of unquantifiable cultural values alone – though such feelings are of course important in the intellectual and social history of conservation and remain an important asset in political discourse. We also need to make rigorous, transparent decisions that consider the *many uses society makes of heritage*, including economic and business uses.

(II) While economics is defined by its philosophical as well as mathematical traditions, *the cultural discourse in economics is often obscured by the mathematical turn that dominates the discipline today*. Conservation discourse should selectively embrace the methods and sources of knowl-

The collaborative project on the Fulton Street Mall aims at combining historic preservation and redevelopment measures in order to nurture the mall as a vibrant public place. Changes to the built environment shall be managed in ways that resonate with historical patterns as well as the needs of current users and even broaden the Mall's constituency.

which to make our conservation decisions, since economic values clearly do matter in many instances. Economics discourse and analytics is less effective at revealing sweeping truths about conservation and its role in society, so we should learn not to demand such answers.

Questions pursued in reference to specific situations are good uses of economic discourse for conservation purposes. For instance:

- discussing relative benefits of different plans
- economic effects of creating a historic district
- financing conservation work
- protecting property rights and investments
- analysing and deciding among alternative proposals for a site
- debating the effectiveness of public policies
- institution building

The question of including economic values cannot be considered a zero-sum game – they cannot be excluded altogether from decision-making; and having been included they cannot be allowed to trump all other values. The way forward is balancing economic methods with other assessments of heritage value. At the same time, conservation interests must be willing to accept the possibility that conservation is not always the best decision – tradeoffs, being likely and realistic, will sometimes require negotiations that result in destruction instead of conservation.

III Can Heritage Be Priced?

The growing literature on the economics of conservation is embedded in a larger debate about valuing culture. This debate relates to the cultural dynamics of globalization and the dominance of market discourse and business thinking in relation to public and private spheres of life.[10] Not surprisingly, the existing literature is weighted toward advocacy studies, but the situation is changing.

As yet, there are few analyses with enough critically distant but sympathetic questioning of conservation's role in society, but more are on the way. Now it's time to push beyond the basics, focusing on questions of strategic importance to conservation – not just considering the kinds of

[10] Harrison and Huntington 2000; Slater and Tonkiss 2001; Hutter and Throsby, forthcoming; Ackerman and Heinzerling 2004. Reviews of the literature can be found in Mason, ed. 1999; Mason 2005.

and quantify the positive economic contributions of conservation to a particular state's or region's economy. EIS's tells us that conservation is indeed an economic activity, but say little about the relative value of conservation to society or the relative value of use and nonuse values. While they document that markets exist for some aspects of conservation, they mislead by accounting only for use values of heritage (which, conveniently, are directly reflected in market prices) and by not accounting for the opportunity costs of spending on conservation (in other words, they only add up the spending to get a total economic impact, and don't subtract the impact of spending that might have been devote to some other 'opportunity'). Further, EIS's characterize conservation as a separate phenomenon, instead of comparing it to the economic impact of related cultural investments.

Other sorts of revealed-preference methods are applied to heritage conservation, including hedonic cost studies. These methods make statistical comparisons to reveal the effect conservation has on prices. For instance, hedonic methods have been used to compare the prices of houses under historic designation to similar houses not under designation.

In the end, revealed-preference methods look at only part of the spectrum of heritage values (the most readily quantified and measurable aspects) – the private-good aspects of conservation. Market-based studies document the economic life of conservation activity, but they fail to compare conservation to alternative kinds of spending, don't account for cultural impacts, and tend to privilege business thinking about conservation.

(II) *Stated-preference methods* address nonuse, extra-market values of conservation. They represent the public-good aspects of conservation – those by definition beyond the reach of markets – by creating hypothetical markets and soliciting consumers' potential preferences.

Contingent valuation (CV) methods are the most commonly used stated-preference method, and were developed in the field of environmental economics.[12] Whereas economic impact studies capture those aspects of conservation value expressed in actual market transactions directly related to conservation; contingent valuation estimates what the market value of conservation would be for a hypothetical action. For instance, CV studies can estimate (in money terms) what consumers would be willing to pay for a conservation effort in a particular area (for buying a house, taking a holiday, visiting an attraction). Data for CV studies comes from interviews or surveys presenting respondents with descriptions of current conditions and

12 Some are called 'willingness-to-pay' studies.

without making any causal arguments. Multiple regression analyses could well be used to measure the correlation between conservation-related data and independent variables exogenous to conservation (for example, relating conservation listing, or state investment in conservation, to levels of education or socio-economic status or crime). Regression analysis is used to test hypothetical, causal assumptions about why one phenomenon may be related to another. The most common use of regression has been studying the relationship between conservation listing and property values, but there are many untested assumptions about the relation of heritage conservation to other social phenomena making this an area rich in research potential.

Cost-benefit analyses typically require that all factors included in the analyses are quantified; this condition being met, a ‘bottom line’ answer can be generated. Despite the wide use of such studies in making and justifying public policy decisions, they remain inadequate (and divisive) when applied to arenas in which public-good values are very prominent – especially environment and cultural arenas, where quantification incurs substantial philosophical, epistemological problems. As Frank Ackerman and Lisa Heinzerling argue, “the basic problem with narrow economic [cost-benefit] analysis of health and environmental protection is that human life, health, and nature cannot be described meaningfully in monetary terms; they are priceless”. One could easily add ‘culture’ or ‘heritage’ to their list. Further, quantifying the unquantifiable undermines the values of these social goods, they argue, “under cover of scientific objectivity”.[13] It is dangerous to account only for private values, but there is nothing to prevent mixing of market data and estimated costs, or more informal types of cost-benefit analyses in which the costs and the benefits are rendered in narrative.

Case studies, as a methodological family, remain a robust option for studying the social dimensions of conservation. Encompassing a wide range of possible data collection, analytical methods, and means of comparison, case studies employ both qualitative and quantitative methods and have been used widely in conservation.[14]

The different economic methods do not compete with one another, so much as address different kinds of questions. An EIS, for example, won’t help much in balancing the revenues from a tourism project with the costs

[13] Ackerman and Heinzerling 2004, pp.8–9.

[14] Lincoln and Guba 1985; Yin 2003.

nity-level impacts of conservation projects or policies – in both quantitative and qualitative terms – would present a new way of advocating the benefits of conservation to decision-makers.

- Economic values can also be viewed as a kind of social value, and characterized qualitatively along with other types of social value. Narrative description of economic values can very easily be incorporated into current conservation-planning models.
- At the community-level, studying how economic and cultural considerations come in to play when residents, owners and local social groups make decisions about heritage conservation activities. For instance, many residents displaced from New Orleans by hurricane Katrina have had to decide whether or not to resettle, and these decisions were doubtless influenced by both economic and cultural factors. A study to understand how heritage and other cultural factors were weighed against economic values would be illuminating.
- More attention needs to be focused on the relative value of conservation versus other kinds of investment. How does one rationalize an investment in preservation as a better trade-off than an investment, say, in a mall, big-box retail, casino gambling, or a new sports stadium? Anecdotally, such decisions seem to be debated and made on the basis of one kind of value or another. But broadly encompassing cost-benefit analyses, accounting for environmental and cultural as well as economic values, could change the calculus. And rigorous study of the political frameworks in which these decisions are made would be of great value.
- How can culture be measured? A number of scholars have ventured in to this, creating proxies derived from market data or other available sources (such as participation in arts and cultural activities). Given the perils of quantifying cultural values, another sensible approach would be creating indicators of cultural change designed merely to reveal the direction and pace of change rather than measuring it absolutely.[15]

Conservation based solely on a few kinds of value – whether cultural or economic – runs the risk of irrelevance. One must account for the wide of range of values attached to heritage. The insight is simple, the implications

[15] Kahneman, Nobel lecture 2002, 450: changes and differences are more accessible to research than absolute values.

Riegl, Alois. ”The Modern Cult of Monuments: Its Character and Its Origin.” (trans. Kurt W. Forster and Diane Ghirardo.) Oppositions, 25 (1982).

Rypkema, Donovan. 2005. The Economics of Historic Preservation: A Community Leader’s Guide. Washington: National Trust for Historic Preservation.

Slater, Don and Fran Tonkiss 2001. Market society: Markets and Modern Social Theory. Malden, MA: Blackwell Publishers.

Throsby, David. 2001. Economics and Culture. Cambridge: Cambridge University Press.

Yin, Robert K. 2003. Case Study Research: Design and Methods. Thousand Oaks: Sage Publications.

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Designing interpretive indicators of built heritage

– cultural templates, case Helsinki

Janne Hukkinen
Helsinki University of Technology

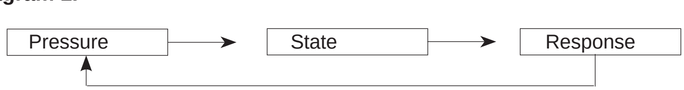
In his presentation, Janne Hukkinen makes an innovative analysis of the recent conservation debate in Helsinki. By linking indicators to cultural scenarios, different decision-making options can be valorised.

Valuing built heritage is not a straight-forward calculation, but calls for several well-reasoned and culturally sensitive interpretations. In this context, *scenarios (storylines)* can be used to articulate different assumptions about what is considered to be valuable in built heritage. *Indicators* are a way of expressing the value of things in several different dimensions.

To work, indicators call for scenarios, because scenarios provide a series of reference points against which to assess the significance of specific indicator values. In practice, however, scenarios often go unrecognized in indicator systems.

Indicators make sense to human beings, as they enable communication of causally rooted intent to action. The model, featuring pressure, state and response (PSR) provides a way to articulate a scenario with indicators. The idea is that 1) there exists pressure (P), which is likely to induce 2) a change in the state (S) of affairs, which in turn calls for 3) an intentional response (R) from human beings.

Diagram 1.



In the Helsinki debate, the individualistic cultural theory position can be linked to the economic cost-benefit logic and the subsequent need to make less than ideal compromises in negotiating land-use pressure and conservation, while the egalitarian position suggests synthesis and path to win-win solution of the conflict.

To understand debates over built heritage, there is a need to articulate underlying cultural scenarios and respective indicators. Each scenario has a unique set of indicators and each indicator has a unique ’bandwidth’ of permissible variation

In making decisions about the future of built heritage, we have to appreciate that all the four cultural scenarios coexist. Scenarios can articulate the challenge of modern human habitats: hybrids with simultaneous demand for maintenance of built heritage, high technical performance andprotection of valuable ecosystems. Monetary value is one among several indicators of the value of built heritage.

Table 2. Towards cultural indicators of built heritage

	Hierarchic	Egalitarian	Individualistic	Fatalistic
Myth of nature-culture	Governed by wise rulers	Governed by agreement among individuals	Governed by powerful majority	Beyond individual control
Decision making process	Welcome regulatory directive	Win-win deliberation	Zero-sum compromise	Tolerated regulatory directive
Criterion of fit between entities	Enlightened governance	Negotiated agreement	Benefit-cost ratio, monetary compensation	Planning theories
Inter-changeability between entities	Hero planners design optimal systems	Irreplaceable buildings and materials	Replaceable buildings and materials	Regulations determine replacement

If we think the future development of inner city of Helsinki, there is a threat in giving unrestrained power for planners and big developers. Old harbours and railyards could instead become a fusion of the ostensibly conflicting templates. They could permit rapid renewal of housing complexes along old harbors (individualistic), but within limits, become simulations of the changing mosaic of former container harbour (egalitarian). And why not leave areas intentionally unplanned to allow for evolution of subcultures?

Value of Historic Urban Cores

Christer Bengs
Swedish University of Agricultural Sciences

In his presentation Christer Bengs lists a series of defects in the present legislation and planning practice in Sweden. He argues that among others that the property owners are not treated equally as the maximation of permitted building volumes marginalises the traditional owners. Conceiving townscape as a public good has weak starting points under current conditions. Bengs illustrates his analysis with photos from Swedish towns.

3. Where the traditional small-scale plot division is piecemeal substituted for fused plots and new bulky buildings, these new precincts are often extrovert and break with the existing morphology of historic cores, blurring the clear demarcation line between public and private space as well as making street facades out of scale. In addition, traffic arrangements often split up the historic core in isolated islands surrounded by heavy traffic flows. The original morphology of historic cores is piecemeal substituted for an inverted morphology, which is often promoted by cultural heritage authorities with no understanding of urban morphology, but strong sentiments for the ideology of historicism ("progress progresses"), so called authenticity ("proper reflection of our time") and the protection of individual modernistic building regardless their destructive influence on the historic urban core.
4. On a scale from the most to the least stable constants in a historic core, the basic division of land (street structure and block division) is the most stable one, followed by plot division. A less stable part of the urban structure are the single houses, and the least stable component is any particular use of the urban structure. Consequently, protection measures should be geared at protecting the most stable parts of the urban structure, that is, its basic division of land into streets, blocks and plots.
5. The gap between the current economic yield of any property and the foreseen potential yield is the driving force behind the destruction of historic cores. Consequently, the best protection measure would be to draw up a detailed plan for the whole core where any part considered worth of protection would be designated a permitted building volume, which is not bigger (or even smaller) than the already existing one at that particular plot.
6. The negative externalities of any out-of-scale development hit surrounding property owners and the residents at large. Townscape should be considered a public good because it is non-rejectable and hence a public interest. The present legislation and planning practice in Sweden does not offer good conditions for conceiving townscape as a public interest.
7. There is a factual conflict of interest between individual property owners trying to maximise their profits by intensifying the exploitation of

Methods to assess value – glossary

Kaisa Schmidt-Thomé
Helsinki University of Technology

In the presentations of Randall Mason and Ståle Navrud, a whole array of methods to asses the value of cultural heritage was touched upon. A comprehensive bibliography prepared by Randall Mason (2005) is also available, showing that the methods vary widely and that several challenges in applying economic methods to the field persist. The methods reviewed by Mason are basic cost studies, economic impact studies, regression analysis, contingent valuation and choice modelling and case studies. In their book Ståle Navrud and Richard R. Ready (2002) have a closer look at some of them: hedonic pricing technique, travel cost method and stated preference techniques, which are grouped under regression analysis and stated preference studies in Mason's review. See also Mason's article in this book pp. 9–27.

Basic costs studies covers a range of rather simple and straight-forward methods, the results of which need to be carefully contextualised.

* Calculating the costs of a project is pure adding up. Here sufficient attention must be paid to the costs from demolition and disposal.
* Using development pro formas means taking into account the whole cycle of the real estate development process – considering also the costs of marketing, fund-raising etc. Costs associated to re-developing a heritage site might differ from others cases.
* Cost-benefit analysis compares the estimated market costs of alternative actions, and seeks to find the most efficient one. The analysis is certainly very sensitive to which costs and benefits are included in the consideration.

Perspectives on values – model for integrated estate-management

Anna Krus
Chalmers University of Technology

In her study Anna Krus focuses on the process of balancing heritage-related, functional and economic values in market-adjusted re-development projects. She studies values in real-estate: how they are created, what they represent, how formal demands regarding overall aims of value-management are expressed and how they are defined and balanced on an operational level. She combines theoretical analyses on the production of value with empirical studies of operational management of values.

The empirical context comprises the Swedish National Property Board, the largest heritage-estate manager in Sweden. The Board is governed by annual letters-of-regulations, stipulating formal objectives of management, defined in terms of ‘economic efficiency’ (expressed in annual rent-demands), provision of ‘competitive and suitable premises’ and preservation of cultural values. The Property Board thus faces the challenge of performing market-adjusted management of heritage buildings. A recently finished re-development project, the so called East stables, has been used in the case studies. The East stables is a listed, former 19th century stable-building that was in heavy decay and was re-built to house modern offices and public information- and library functions.

In the case studies, three problems are formulated: the general problem of balancing demands of economic efficiency and suitability of use with

Related readings

Krus, A. (2006). Kulturarv – Funktion – Ekonomi. Tre perspektiv på byggnader och deras värden. Göteborg Studies in Conservation 17. Acta Universitatis Gothoburgensis.

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Anna Krus is a PhD student at the Chalmers University of Technology in Göteborg (Centre for Environment and Sustainability, Entreprising Research School NMK), and a consultant at NAI Svefa. She finalised her Licentiate thesis (Kulturarv – Funktion – Ekonomi) in 2006.

Cultural Heritage Monuments and Historic buildings as value generators in a post-industrial economy (excerpts)[1]

Terje Nypan
Directorate for Cultural Heritage, Norway

Terje Nypan reports the results of a recent explorative study on the economic importance of the cultural heritage sector in Europe. The preliminary figures look very positive, calling for more empirical work and systematic data collection.

1. Introduction

When setting the value of cultural heritage objects we have to make use of socio-economic theory. Cultural heritage must be treated as a (consumable) good. Further, according to socio-economic theory, cultural heritage objects are *common goods*. Common goods are characterised by being:

- Non-exclusive: *A good is non-exclusive when a user cannot technically be stopped from enjoying / consuming that good.*
- Non-rivalling: *The enjoyment / consumption of the good for one user is not reduced by more persons enjoying it simultaneously.* [2]

The private, profit driven market cannot produce or supply sufficient non-exclusive common goods. The reason is simple: if you cannot force someone to pay to consume a specific good you cannot generate any profit!

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[1] The text is a shortened version of a paper originally produced in 2003.

[2] *Valuing Cultural Heritage*, Ståle Narvrud, Richard C. Ready, Edward Elgar, Cheltenham UK, Northampton USA. ISBN 1 84064 079 0

television programmes. Businesses use them in marketing and PR. This use value is not calculated here, but needs to be mentioned.

The tourism sector is the ‘industry’ that to the greatest extent uses cultural heritage as support for its backbone activities like hotel accommodation, transport and catering. Cultural heritage is a major contributor to the income from tourism, which stands for 5,5 % of the EU GDP, generates more than 30 % of its revenues from trade in external services, and employs 6 % of the EU workforce. Tourism has an expected growth rate is 57 % in the period 1995–2010.[5]

The value of the cultural heritage flows to other businesses, too. Even in those cases were entrance fees are demanded to access a cultural heritage site, the problem of defining the total value based on earnings from tickets, souvenirs or other income bringing activities at the site remains. The reason for this is the difference between the direct spending at the site and the spending outside. All the money a visitor to the site spends on getting there, eating and staying overnight, constitutes the ‘sum of money the consumer is willing to pay to secure that good for his own consumption’, which should be counted to the economic value of that cultural heritage site. We know that only 6 to 10 % of the total spending is left at the site.[6] Further, of the total number of jobs created, only 16,3 %[7] are situated on the cultural heritage site itself.

To arrive at a figure for the turnover of the cultural heritage sector we used the following approach. We took the number of tourist arrivals to Europe in 2002, assumed they stay for 16 days, on an average, that they visit at least one museum or historic building during their stay. We also assessed their daily spending (overnight, food and drinks) at 150 Euro per day per person. We did not include the cost of their travel to their destination or any travels between different destinations during the stay. Local transport use as well as one entry to a museum[8] etc. was calculated per stay[9].

This gave us an idea of the sums of money used, but how much of this sum could be assigned as value to cultural heritage? Here we were forced to make a definition of what consumption of cultural heritage is and,

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[5] EU High level Group, 1999.

[6] Studies done by English Heritage and Norwegian Directorate for Cultural Heritage

[7] Xavier GREFFE, *La valorisation économique du patrimoine*, Rapport au Dep et à la Dapa, Paris, Ministère de la culture et de la communication, 2002.

[8] Local transport and sundries at Euro 20 per day, museum/gallery visit at Euro 20 pr stay.

[9] We also know from other studies that there is a great potential for more rational and less costly maintenance of ch, this sum is 1,9 billion Euro. This sum was added to the value. Norwegian Directorate for cultural Heritage, 2001.

Another important element to consider in a post-industrial economy is the labour intensiveness of a sector. In all major industrial sectors the tendency is for increased production with a reduced work force. Cultural heritage, including tourism, is a labour intensive sector.

Its multiplier effect is also significant. In European comparison, cultural heritage sector creates approximately 26 jobs for every direct one, compared to the auto industry where the factor is only 6,3.

The World Bank also develops studies of economy and cultural heritage along these lines. Their figures are clear; in the USA building rehabilitation is a much better option than manufacturing industries in regards to generating job, household income and value added to the economy than the manufacturing industry.

Table 2. Socio-economic value created Building rehabilitation vs. Manufacturing industries (US)[13]

Indicator. Benefits from USD 1 million invested in

	Manufacturing Industries	Building rehabilitation
Additional jobs (number of jobs)	21,3	31,3
Additional household income (US dollars)	553.700	833.500
Value added to economy's output (US dollars)	1.109.665	1.402.800

Source: Rypkema 1998

Another comparison of the economic effect of historic rehabilitation on job creation compared to other sectors has been done by the New Jersey Historical trust in co-operation with Rutgers University.[14] Their findings show that historic rehabilitation is a more effective instrument for job creation than both construction of new buildings and highway construction.

Percentage jobs created for USD 1 Million:

- Highway construction equals 100%,
- New construction 110%
- Historic rehabilitation 126 %

One critical effect to be considered when launching actions to generate employment is to what extent such actions generate jobs concentrated only in one sector or if the policies are able to spread jobs out over more sectors. The last option is usually considered the best for a balanced social development. This ‘spreading’ effect is demonstrated in Figure 3.

13 *Cultural Heritage and Development, A framework for Action in the Middle East and North Africa*, The World Bank, 2002, ISBN 0-8213-4938-4, page 52.

14 New Jersey Historic Trust, 1998 etc. Baseline data requested. % may therefore deviate +/- 3-5%

We can calculate[16] that:

- Borgund stave church is instrumental in generating 168 man years pr. year.
- This employment again generates NOK 11 million in tax income to society pr. year.

The annual turnover generated to society, including the church with its 15 employees, is NOK 27 million, 1.250 % higher than the direct ticket income at the site. If we calculated the return on the public investment in the church, based only on the tax income – the money that goes directly to public authorities – we arrive at a return on investment figure of 628 % return on the yearly investment.

5. The economic effect – summing it up

Professionals in the cultural heritage sector are convinced that 'authenticity' is the single most critical factor for the object when it comes to the ability to generate economic value. They are convinced that authenticity principally creates the worth people tend to assign to heritage sites. That is why the need for authenticity is so strongly underlined in all international charters and conventions on the cultural heritage.

It follows from this reasoning that the political framework in which the cultural heritage professional's work is of great importance for the possibility to generate economic benefits from cultural heritage (buildings). The European Union politics of harmonisations of national laws (Directives), has in many cases been detrimental to keeping authenticity.

[16] Notes: Suppliers and public administration / government calculated by use of 'NHO model' (NHO is Norwegian Cofederation of Business and Industry) Personal income calculated at average salary of NOK 220.000 (Euro 27.500). Taxes calculated on the basis of average income tax of 30%.

Cultural heritage and the Swedish policy for regional growth – a case study

Martin Paju
Umeå University

In his presentation Martin Paju discusses the interface of cultural heritage and regional development. He claims that even if the contribution of historical environments to regional resources was increasingly acknowledged, the heritage professionals might still lack the means and skills to convince other actors seeking the seeds of regional growth.

The concept of cultural heritage has since 1990 attained an increased interest in the regional growth debate and the management of these assets in Sweden has moved from preservation to focusing the relation to regional attractiveness and economic development. Ambitions to develop tourism and housing for an attractive real estate market highlight the conflict between antiquarian perspectives and commercial interests. This dichotomy can also be referred to when we investigate the consequences of the confusion between different levels of public management.

The aim of several case studies at CERUM has been to clarify the relation between the presence of cultural environments and regional development and to show how cultural heritage environments can act as a resource in the concept of regional growth. This implicates a promotion of the environment as an important asset in future strategies for growth of a region by providing resources for an increased protection and preservation.

Related readings

Cars, G., K. Olsson and F. Snickars (1996) *Kulturmiljö på spel*. Riksantikvarie-ämbetet.

Kulturdepartementet (1998) *Kultur för regional tillväxt*. Stockholm

Olsson, K. m.fl. (1997) *Kultur som strategi i lokalt och regionalt utvecklingsarbete*, NUTEK R1997:25

Paju, M. (2002a) Kulturarvet som resurs för regional utveckling – Seminarierapport. CERUM Working Pa2per Nr 49: 2002

Paju, M. (2002b) *Kulturmiljön i den regionala utvecklingen*. En fallstudierapport. Riksantikvarieämbetet: 2002:4

Weissglas, G., M. Paju, L. Westin, and T. Danell (2002) *Kulturarvet som resurs för regional utveckling*. Riksantikvarieämbetet 2002:1

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Generative use of built heritage

Housing plan for Liedon Vanhalinna

Tarmo Peltonen
Arkkitehtitoimisto Lehto Peltonen Valkama Oy

The question how to plan new housing next to Liedon Vanhalinna, a protected prehistoric castle hill, emerged when preparing for the cultural milieu programme for an area in South-Western Finland (http://globe-maa.utu.fi/kyo/).

Figure 1. Map showing the river valley, prehistoric hill in the middle and scattered new construction in the woods.

Welcome to join Ebheritage!

The Economics and Built Heritage –project continues. The next main task is to work out the content and organisation of the planned comparative Nordic research network, in cooperation with the international scientific committee and the Nordic working group. The new coordinator of the network is Kaisa Schmidt-Thomé, a researcher at the Centre for Urban and Regional Studies (YTK), Helsinki University of Technology.

International Scientific Committee

- Professor Åke E Andersson
- Professor Christer Bengs
- Associate Professor Randall Mason
- Associate Professor Ståle Navrud
- Professor Riitta Nikula
- Senior Lecturer Krister Olsson

Ebheritage working group

- Researcher Heléne Hyrefelt
- Senior Adviser Terje Nypan
- Director Maire Mattinen
- Leading researcher Panu Lehtovuori
- Coordinator Kaisa Schmidt-Thomé

The website of the project **www.ebheritage.fi** serves as an open platform of the network, welcoming related literature and links, contact information of experts as well as images of heritage documentation. They shall serve researchers and practitioners as well as the funders of related research.

For further information, visit the website or contact the coordinator.

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