Economics and Built Heritage

Seminar proceedings

Built heritage – value adding sector

Edited by Panu Lehtovuori & Kaisa Schmidt-Thomé

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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 outweigh the costs. Heritage can be seen as an asset in the knowledge and creative economy. There is a lot to 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.

We warmly thank the Nordic Council of Ministers and the Finnish National Board of Antiquities for their generosity in funding the project, as well as the partners, the National Heritage Board, Sweden and the Directorate For Cultural Heritage, Norway. Without the sustained effort of the Working Group and the Finnish Steering Group the project would not have reached its goals. We extend our thanks to Heléne Hyrefelt-Dahlström, Terje Nypan, Maire Mattinen, Timo Hattinen, Sinikka Joutsalmi, Kari Nikkanen and Satu-Kaarina Virtala. Thanks to the speakers, participants and all the enthusiastic connoisseurs of built heritage who have given their time and expertise for the Ebheritage project! – When writing these lines, the project is already well in its second phase. The preparations for a comparative Nordic and Baltic research umbrella and an institutional network are underway.

Espoo, February 8, 2007

Panu Lehtovuori

Kaisa Schmidt-Thomé

Beware and Be Interested

Why and how we make economic arguments for heritage conservation¹

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 outweigh 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.'

tion, economic concepts, values, goals, and discourse applied to heritage have grown in prominence. This change is congruent with the longer-brewing process that has brought conservation activity routinely into partnership with forces for economic development and community improvement. Given these changes, it is urgent for conservation professionals and advocates to have some fluency with economic discourse.

Two distinct ways of thinking about heritage have emerged in contemporary society – termed ‘economic discourse’ and ‘conservation discourse’. Conservation discourse employs historical narratives, connoisseurial judgements, and visual media in making its arguments; economic discourse relies on mathematics and quantitative expressions. Conservation discourse accepts a priori the benefits of heritage conservation; economic discourse questions the benefits of heritage conservation sceptically, deferring to the judgment of markets as efficient means of making decisions and allocating resources.

Economists regard preservation first as a market phenomenon, a set of goods and services best appraised in terms of prices. But conservation discourse regards heritage as priceless, and therefore beyond economic analysis. Both discourses have an air of fundamentalism about them, yet seeing the alternatives as a zero-sum game is a mistake. While heritage professionals may regard economics as a remote and alienating discourse, it would be ludicrous not to include economic values from our planning, management and decision-making frameworks. The question should be *how*.

The focus of this article is *strategic* discourse about economics and conservation – as opposed to the *technical* discourse of actually performing econometric analyses. Three strategic topics will structure it:

First, values theory is introduced as a broad and integrated way to frame thinking about the role of conservation in contemporary society, and a way to organize conservation decision-making.

Second, a set of strategic arguments is offered to explain conservation professionals’ need to beware² and be interested in cultural economics. There is an important distinction between economic thinking and business thinking that is often confused or ignored. In turning to economics, conservation professionals should not simply look for new justifications for conservation. One should step back and study how and why conservation is a benefit to society.

² The use of ‘beware’ is intended to convey ‘be aware of’ and also as ‘be wary of.’

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 value³ 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

³ Klamer and Zuidhof 1999.

⁴ de la Torre, ed. 1999; Mason 2006.

different ways. In the scheme proposed here, the distinction between economic *use value* and *nonuse value* is highlighted: use values defined as those readily tradable on markets and translatable into prices (for instance, the value of a building on the real-estate market); nonuse values are defined as those for which markets do not exist (for example, the aesthetic value of a building because it is perceived as beautiful). Social value stems from the collective use of a heritage place for other than heritage reasons, for instance as a gathering place for music concerts or a place to picnic. Environmental value stems from a place's role in ecological systems, comprising, for instance, part of a stream valley or the edge of a forest stand. Taken together, these contemporary values figure prominently in decisions about conservation and development, and they are often (though not necessarily) related directly to the place's core historical and cultural values.

Historical vs. contemporary values is the main cleavage regarding the understanding of heritage places. They represent two perspectives on the value of heritage places – akin to looking at the same place through the different ends of a telescope. Out of this cleavage between cultural and contemporary values, two complications arise:

First, value is an essential concept in economics, though used in a distinctly different way from that of conservation discourse. In economics, value is an overarching proxy for the real and potential benefits attached to a place; as opposed to the plural sense of 'values' indigenous to the idea of cultural value. Economic values are associated with individual benefits tradable in markets (economists call them use values); cultural values are collectively held (parallel to the political notion of public good; economists call these public-good qualities nonuse values). The lens of cultural value multiplies the aspects of a place's value; and these values are idiosyncratic, contingent, thoroughly 'constructed' by the person or group valorizing the object. The lens of economic value tends to reduce the place's complexity. Vis-à-vis heritage conservation (and culture in general), economists tend to present economic values not as one fraction of the total collection of values ascribed to a particular place, but rather as a totalizing system encompassing all types of values. While the logic behind such a system of economic values is a clear product of neoclassical economics, it standardizes value to enable its quantification (as a price). This runs at cross purposes to the elusive, 'priceless' aspects of cultural value.

The second complication around the concept of value stems from the observation that heritage conservation yields both private values and pub-

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

Charter, for example, the laudable effort of Australia ICOMOS to reform conservation planning to take account of a broader range of heritage values: it still excludes economic values, defining them as a priori secondary to the values making up cultural significance.

*Why should those in the heritage conservation fields
beware of economics?*

Economic discourse threatens the philosophical and ethical basis of conservation primarily in two ways. (I) Philosophically, market-centered economic discourse discounts the extra-market (cultural) values of heritage places. (II) Business thinking, as the main application of economic discourse, is often a direct threat to conservation goals and investment because it narrowly frames the value of conservation in terms of market value.

(I) The idea that value is determined by markets is very problematic to conservation discourse, in which connoisseurs and scholars make judgments about value and wield the greatest influence. Giving economic logic too much influence would amount to turning away from the most fundamental, foundational discourse in conservation – the relativity of cultural values. There is a legitimate fear among conservation advocates that when use values (profits) are allowed to be part of the discussion, they tend to trump all other considerations, especially ‘optional’, ‘soft’ or ‘cultural’ goods which cannot be easily measured. The seeming weakness of the conservation field in the face of economic discourse is partly due to our inability, as a field, to analyze and balance these different values of a place. We should no longer focus narrowly on the values that traditionally formed the core of conservation discourse.

Neoclassical economics assumes too much to be a useful lens on heritage on its own. Since heritage conservation has *clear public-good aspects*, which by definition are not priced or traded in markets, market-based discourse will inaccurately undervalue it. These public-good aspects are the historical and cultural values at the ethical core of conservation.

David Throsby warns of the ‘intellectual imperialism’ of economics.⁵ The insights of the economics field are powerful and promising but they are limited. Economics is based on markets, so the power and limitations of economics are congruent with the power and limitations of markets as

⁵ Throsby 2001.

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-

⁶ Slater and Tonkiss 2001.

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

tion advocates give up on their strongest, cultural-value arguments. So the pro-market arguments of economic discourse are risky for heritage conservation to the extent that they are confined to the sphere of market values. This risk can be managed, however. Some economic methodologies, outlined below, include provisions for measuring extra-market values. And as Donovan Rypkema has demonstrated,⁸ preservation can be pursued as a profit-making venture.

Conservation has an inherently long time-frame, creating another tension with business thinking. Business thinking tends to be short-term: about the time frame of the fiscal year, the financial quarter, or the next election. Conservation policies, actions, and projects, therefore, are fundamentally concerned with long-term effects. So to proffer arguments within a short time-frame – a frequent symptom of business thinking – runs against the grain of conservation discourse.

Why should those in the conservation field be interested in economics?

There are political, philosophical and practical reasons for those in the conservation field to be interested in economics.

(I) *Politically*, legitimating heritage conservation as a market phenomenon couldn't be more important in our market-centered world. Because of social demands, political demands, and the general market-oriented turn of contemporary culture, individuals and institutions from all parts of the political spectrum are interested in knowing about the economic dimensions of cultural activities like conservation. In effect, we in the conservation field are interested in economics because society (global, national) demands that we be interested. It is not tenable to ignore economic values, nor is it tenable to study them in isolation from cultural values.

It is easy to recognize that economic motives and values are among the reasons that societies are willing and even eager to undertake heritage conservation – the cultural values of heritage are not the most important ones for everybody. Tourism development, for instance, relies more on the economic values of heritage. Owners of historic homes are interested, in some measure, in sustaining the economic value of their investments as well as the aesthetic, cultural or other personal values that are embodied in

⁸ Rypkema 2005.

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.

edge particular to social-science disciplines (economics as well as sociology, anthropology, and geography), borrowing from each to shed greater light on conservation as a social phenomenon.⁹ Among the ‘practical’ problems faced in conservation is how to build political support (and therefore financial support) for conservation. Making this argument is a very comfortable arena for economics.

There is broad agreement among cultural economists and preservation advocates that the benefits of historic preservation outweigh the costs. More specifically, the economic costs of preservation are outweighed by the benefits – both economic and cultural – of a robust historic preservation sector. The economics and policy literature is conclusive about the overall positive benefits of historic preservation – sometimes explicitly, often tacitly. Much of the literature is therefore concerned either with articulating these benefits, often in quantitative, monetized terms, or finding those points on the imaginary cost-benefit curve at which the best marginal improvements to benefit can be made. Skepticism about these conclusions doubtless exists among social scientists, and adding their voices to conservation discourse would strengthen the preservation field’s ability to make the historic built environment a broadly beneficial public good.

The focus in neoclassical economics on preferences of individuals parallels the recognized need to elicit community views on conservation priorities. The point of economic studies of heritage conservation need not be calculating accurate prices, writing sophisticated utility functions, or marshalling large sets of quantitative data. Such mathematical precision and rigor is unnecessary and often beside the point when it comes to analyzing cultural phenomena. Such methods are heavily biased toward the values that are most easily quantified, leaving aside the core values of heritage places – their cultural significance. Mathematical analyses of economic value must be contextualized by other methods, in order that the full range of values is taken into consideration.

(III) Practically, what can economic methods tell us? There are no universal truths to be found in economic studies of heritage conservation, so one cannot overstress the *importance of identifying the particular, situational questions*. Economic research can be very effective in helping answer specific questions about conservation, its efficiency, and its behavior vis-à-vis markets. Economic studies can yield better information with

⁹ Barthel 1996; Lowenthal 1985; Ashworth et al. 2000.

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.

economic analyses that would be possible, but asking which ones would be useful in practicing conservation, understanding its social impacts, and garnering broader support for conservation agendas.

The most well-known works in the U.S. rely on straightforward application of market-based methods. In Europe, a more diverse literature is growing, not as driven by advocacy as that of the U.S. Some recent efforts have looked at the broad range of methods being used in the growing cultural economics literature – for instance, a review economic studies’ transferability between different sites, and of the role of the arts in public life and public policy¹¹ – and have added a great deal of substance to the discussion of how the conservation field might use economics more creatively.

The state of the economics of conservation literature
– what’s been accomplished?

(I) *Revealed-preference methods* use market data to analyze levels of economic activity related to conservation. There are many ways in which conservation activity gets directly traded in markets, for instance: real-estate prices for historic buildings, the cost of restoration work, admission paid to heritage sites, wages paid to conservation workers. And of course each of these direct investments can be related to secondary (indirect) economic activities measurable in markets. Since consumer preferences are revealed by the prices they pay for these goods in the market, these prices are a direct measure of the value of heritage conservation.

Economic impact studies (EIS) are the most common and popular type of revealed-preference studies. An EIS documents money spent on conservation and how these investments and costs, like all other money spent, circulate through the whole economy, multiplying the effect of the original investment. Impact studies work by feeding market data on various conservation activities into an input-output model of the region’s economy. The model calculates conservation’s total contribution to the economy – sometimes expressed as a sum (“heritage conservation contributes \$38 million to the regional economy”), sometimes as a multiplier (“every dollar spent on heritage conservation results in \$3.76 of spending elsewhere in the economy”).

They are frequently commissioned for advocacy purposes to demonstrate

¹¹ eftec 2005; McCarthy et al. 2004.

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.

of the hypothetically improved conditions that would result from conservation. Working through detailed sets of questions, supported by sophisticated statistical techniques, an estimate of prices paid in such a hypothetical market situation are generated. One typical kind of result might read: “potential vacationers would be willing to pay \$42 more for their holiday if the conservation program in the village were implemented.”

CV studies, though creative and seemingly complementary to revealed-preference studies, have been controversial and fraught with methodological issues. Some imperfections arise from the studies’ use of hypothetical data on preferences (instead of actual data taken from market transactions), from biases embedded in the questioning formats, and from bias inherent in respondents’ overestimating what they project they would spend because actual outlays are not involved. CV studies are also fairly limited in the types of questions they can pose, and another family of stated-preference approaches – called choice modelling studies – have been designed to include multi-dimensional questions. The idea is that capturing data about the many dimensions of a consumer’s choice (instead of limiting to yes/no questions, for instance) will result in a more accurate accounting of estimated prices.

Since public-good values are so fundamental to heritage conservation, it is essential to include them in any comprehensive analysis of conservation. Stated-preference methods are geared to estimate prices for nonuse values by simulating markets for the public-good benefits of conservation. They are, in short, specifically designed to price the priceless aspects of conservation. Though they maintain dependence on quantitative measures of heritage values, these methods depend more on extended, complex interactions with study respondents and thus provide a bridge to ethnographic methods otherwise used to collect and analyze qualitative data on heritage values. They will remain controversial within conservation discourse because, at the end of the day, CV studies take the leap of quantifying values traditionally considered priceless.

(III) A range of *other, not-strictly-economic methods* can also be applied to understanding economic dimensions of conservation. These include both qualitative and quantitative methods, and can be used in combination.

A plethora of statistical methods are available to study social phenomena quantitatively, though without deriving data from market prices. Descriptive statistics are commonly used to characterize socio-economic factors of areas undergoing conservation (much as planners routinely do)

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.

of its negative impacts cultural or aesthetic value; nor would it help evaluate different proposals for conserving an archaeological site.

Despite the growing number, range, and sophistication of studies, however, the field is not thoroughly studied, nor is there much agreement on approaching basic pragmatic and policy questions, or wide knowledge of the benefits and limitations of the various methodologies available. Of greater moment, these studies, and the issues underlying them, are unknown or ignored by most conservation professionals. Knowledge of economic and social issues is very limited; they have simply not been part of the research agenda in conservation, as positive economic and social outcomes of conservation are taken as matters of faith.

Five broad themes stand out as abiding issues in the conservation economics literature requiring the attention of both conservation professionals and economists:

- Historic preservation is a legitimate public good.
- Reconciling economic and cultural notions of value is a source of confusion.
- The value of historic preservation need not be expressed and analyzed only in quantitative terms.
- The methodologies of different disciplines need to be considered.
- The debate about the economic values strengthens our understanding of the roles preservation can play in managing the built environment and creating a democratic public realm.

Conclusion: what is needed next?

In light of the broad challenges of values-centered conservation, and the promise of economics and other social-science research to shed new light on conservation, several promising research directions can be identified:

- Hybrid methodologies should be created to gauge both economic and cultural values of preservation in more sophisticated ways. By combining or layering methods, the particular short-comings or blind-spots of different methods can perhaps offset one another. CV methods address this challenge, but they remain in the realm of technical economic studies. CV can be pushed to further innovation by combining it with the work of other disciplines and professionals – for instance coordinating willingness-to-pay studies with ethnographic study of cultural and social values to inform the planning/management of particular sites. Such research could be incorporated into case studies documenting commu-

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.

very complex. Incorporating economic values into conservation will draw more stakeholders into conservation discourse and yield more sustainable decisions about heritage conservation (conservation, after all, is a public enterprise aiming to protect values as seen by the many, not the few). Developing the economic discourse on heritage could make the difference between conservation as a zero-sum game and conservation as a politically engaged kind of planning and design, a positive force in contemporary society.

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Designing interpretive indicators of built heritage

– cultural templates, case Helsinki

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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.

Table 1. Scenarios in the debate on the future of built heritage in Helsinki (HS 27 Nov and 4 Dec 2005)

	City of Helsinki (Pekka Korpinen)	Board of Antiquities (Mikko Härö)
Pressure	Helsinki must double building base in 50 years to maintain current population	Helsinki is under development pressures
State	Too stringent protection of built heritage	Post-war built heritage in Helsinki is inadequately protected
Response	Compromise: relax protection and develop areas currently under outdated use (Santahamina, Malmi airport)	Synthesis: respect built heritage in development by innovatively combining knowledge, views and public debate

The example of recent debate in Helsinki shows, how different ways to conceptualise pressure (growth vs. disappearance of built heritage) and the state of affairs (area under protection vs. internal qualities of the old building stock) lead to very different responses. Clearly, the deliberative design of land-use, based on the more subtle, ‘pro-preservation’ analysis provides for a better, win-win synthesis.

‘Compromise’ and ‘synthesis’ are two plausible scenarios, but is there an infinite number of scenarios in any given case? Alternatively, can we make sense of scenarios, storylines, and viewpoints by categorising them? I suggest that cultural theory can be used to make such categories.

Diagram 2. Cultural scenarios based on group and grid (Douglas 1982)

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 and protection 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?

The changing Western harbour of Helsinki.
Photo: Lentokuva Vallas Oy

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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 maximization 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.

I argue in favour of the following propositions:

1. The post-war destruction of historic urban cores in Sweden has been extensive and deliberate. The legal means providing for destruction were developed at an early stage while the legal frame for protection measures was developed much later. The planning and building code (PBL) in force at the moment facilitates for investor-driven development and is a weak instrument for protection. It is in the economic interest of any real estate owner to maximise her/his foreseen yield, which means maximising permitted building volumes by getting detailed plans that allocate maximum permitted building volume on the property under consideration.
2. Due to the small scale division of land in historic cores, developers aim at getting hold of larger tracts of land in order to accomplish additional building volumes. Land owners are not treated equally when owners of large tracts of land are gaining permitted building volumes that by far

exceed those of the small plot owners. The imbalance of development speeds up change in favour of big property owners and marginalises the traditional owners in terms of economic possibilities. Thus, the equal treatment of property owners is not realised. This matter is further exaggerated by the fact that the development lobby is very forceful in Sweden.

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

their land and the overall economic interest of all the property owners of the historic core as well as the overall economic interest of the inhabitants of the whole town. Place positioning, indicating distinctive urban qualities and identity, is largely considered essential in global conditions where single localities are competing on the world market. The extent of historic urban cores

in Sweden is fairly limited and the additional economic yield of those individual property owners profiting from intensified exploitation of their property are probably in most cases much smaller than the economic benefit of protection of the historic core would be for the whole community.

8. There is a need for empirical studies in order to quantify the various economic interests as described above.

Christer Bengs, is an architect (Dr.Tech.) and professor of landscape architecture at the Department of Urban and Rural Development, Swedish University of Agricultural Sciences.

Methods to assess value

– glossary

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In the presentations of Randall Mason and Ståle Navrud, a whole array of methods to assess 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.

Economic impact studies quantify preservation activity in monetary terms. If the benefits of the initial investment get multiplied, positive externalities are produced. The aim is often to estimate the size of the multiplier – how much a preservation spending yields economic activity.

Regression analysis determines the effect of mostly non-economic factors on market prices of other goods. Hedonic pricing method and travel cost method belong to this kind of analysis.

- * With the hedonic pricing techniques it is possible to compare the real estate values in areas that differ from each other only in their proximity to a historic site. In other words they measure the value of adjoining land: how much the values rise due to being close to something else.
- * Travel-cost method measures the varied costs people are willing to incur to travel to visit them.

Stated preferences studies address individuals and ask them to imagine situations where they have to make choices between various actions, each of which yield different results in personal wealth and level of the heritage good.

- * Contingent valuation converts the answers of the individuals into ‘willingness to pay’ for the historic preservation, expressed as a price.
- * Choice modelling use more complex lists of choices and try to estimate not only the willingness to pay for heritage but to understand the behaviour of consumers in broader terms – what connects the individuals that are willing to visit a certain site.

Case studies are often qualitative assessments. With clear analytical frameworks they have value even if they address the value via a single case. They serve not only as anecdotes but as narratives that are also effective when disseminating information.

Related readings

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Perspectives on values – model for integrated estate-management

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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

heritage-related requirements regarding preservation of cultural values, the specific problem of the lack of established methods for defining preservation objectives in tangible terms and, finally, the problem of conflicting heritage objectives in re-development projects, defined in terms of documentary versus artistic perspectives on the so called cultural values.

Theoretically, values are analysed and described by combining a value-relativistic perspective with theories of value-production within conservation, space-planning and rent-gap. The concept of value is thus regarded as a social construction, not as an objective characteristic inherent in the building itself - regardless of whether it is viewed and expressed as historical values, practical use values or economic market values. 'Value' is therefore defined as a potential quality of all buildings, triggered off by certain conditions. Applied to re-development processes, this implies that, for each of the studied perspectives, buildings might represent different grades of values during different phases of the project, here defined in terms of pre-project values, intended values and realised values.

The study proposes criteria by which the different values can be estimated and presents methods to quantify these values, when using her model for value-management in re-developing projects. Such tools might provide a platform for improved articulation of different managerial objectives, not least the heritage related, thereby facilitating balance processes in re-developing projects.

ASPECTS			
	HERITAGE	FUNCTION	ECONOMY
PERSPECTIVES	Cultural history	Space-planning	Estate-economy
INTANGIBLE DIMENSION	Historic evidence	Business premises	Economic assets
VALUES	Knowledge/Documentary value	Use value	Capital value
MANAGEMENT OBJECTIVES	To preserve information-carrying material	To supply attractive premises	To increase the capital value of the asset
CRITERIA	Legibility	Suitability	Return on investment
Sub-criteria	<ul style="list-style-type: none"> • Authenticity • Patina • Clarity 	<ul style="list-style-type: none"> • Scenery • Services & code requirement • Aesthetic organisation 	<ul style="list-style-type: none"> • Revenue • Costs • Booked value

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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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!

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

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

If profit may not be achieved for a 'good' the mechanisms of the private market ensure that such goods are not offered on the (same) market. So, if the mechanisms of the private market alone decided, only those (immovable) cultural heritage objects with a high market value would be protected. The logic is similar for all common goods.

Now if this is the position of cultural heritage in a market, how do we find out what value that these goods have? From the perspective of value creation / definition there is no defined and unified methodology to specify the socio-economic value of cultural heritage objects. But standard economic calculation methods may be used to define the value of a cultural heritage object – or better an aggregated group of cultural heritage objects.

Navrud and Ready state that 'the value a consumer gets by consuming a market good is equal to the highest sum of money the consumer is willing to pay to secure that good for his own consumption.'³ Consequentially the value of a cultural heritage good is the highest sum of money a 'consumer' is willing to pay to ensure the possibility to enjoy (consume) the good. Furthermore, cultural heritage is a non marketable and also a non-renewable good. The final estimation of value must also take into account the non-use value.⁴

In this article we will concentrate on analysing the use value of cultural heritage from a social economic perspective. Usually studies of cultural heritage and its economic effect work with the following indicators: (1) turnover, (2) employment (direct and indirect) and (3) frequentation (number of visitors). In this work we have chosen to analyse the sector based on the turnover and employment capacity as primary indicators. The non-use value will not be discussed in this article.

These reported case studies are explorative. The empirical data is often insufficient to be able to satisfactorily verify the figures and conclusions. Nevertheless, the cases are sufficient to develop hypotheses and direct future research.

2. Turnover of the cultural heritage sector in Europe

Cultural heritage has great value for other industries. Cultural landscapes and individual buildings are used as settings of computer games, films and

³ Ibid.

⁴ See also Mason's article in this publication.

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 where 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 museum⁸ etc. was calculated per stay⁹.

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,

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.

subsequently, how much of their time is spent consuming this good. We defined consumption of cultural heritage as visiting museums and site, of course, but also included the choice of a café to take a drink when the surroundings are historical, architectonically interesting or a beautiful cultural landscape. Sitting down to eat or drink, or just walking and ‘taking in’ the surroundings is cultural heritage consumption. Based on this we stipulated, on an average, that 30 % of the time is spent consuming cultural heritage. In sum we found that turnover from tourism due to cultural heritage at European level is 338 billion Euros¹⁰

3. Employment in cultural heritage

Based on a survey carried out in the spring 2003, we received information on the cultural heritage sector from Norway, Sweden, Finland, Denmark, The Netherlands, United Kingdom and France. We used this information to stipulate direct employment for those countries not participating in the survey.

The number of directly¹¹ employed is 306.000. Probably the number of direct employed is even larger. Indirect employment effects amounts to 7,8 million man-years. In total, more than 8 million jobs in the EU are sustained by the cultural heritage sector.

Table 1. Jobs in the cultural heritage ‘production line’; data from France.

Part of the production line	Number jobs (man/years)	In % of total
Direct employment / Emplois directs	43 880	8,38%
Indirect employment in the sector / Emplois indirects en travaux de conservation/entretien ¹²	41 714	7,97 %
Employment from tourism / Emplois en retombées touristiques	176 800	33,79 %
Employment generated in other industries / Emplois induits dans les autres industries	260 830	49,85 %
Total for France	523 224	100,00 %

Source : Xavier GREFFE, *La valorisation économique du patrimoine*, Rapport au Dep et à la Dapa, Paris,

¹⁰ By European level we here mean EU countries, EEA countries and the new member countries from June 2004.

¹¹ By directly employed we mean those who work directly with cultural heritage in administrations, research institutes and businesses executing restoration or maintenance works on cultural heritage objects / sites.

¹² In this paper these are considered in the category direct employment.

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%

Figure 3.
Employment creation through historic rehabilitation by profession / sector.¹⁵

4. Return on investment

Economic sectors are classified through their ability to generate return on investments. We will analyse a couple of cases and go through some data on income and job creation to look at this capacity of the cultural heritage sector.

An example is analysed for the Borgund stave church. This 800 years old church needs, on an average, approximately 2 million NOK for to finance operations and maintenance every year. This includes staffing in the season.

The church is considered an expense for society because it does not generate sufficient income to cover maintenance and staffing costs. Income from tickets at this, after Norwegian conditions well visited site, is only NOK 1.75 million. Seen in this manner the church is an expense.

To visit this church you need to travel to Lærdal in western Norway and most tourist stay overnight. All who stay overnight visit the church. The church is the 'magnet' that bring travellers to Lærdal. Hotels and camping are closed in the winter season and all their income is restricted to the tourist season. As such the church is instrumental in generating income for other activities in Lærdal; hotels, camping, souvenirs, retail, transport, etc.

¹⁵ Source: New Jersey Historic Trust -1998

We can calculate¹⁶ 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%.

If the EU wishes to maximise the economic benefits of exploiting cultural heritage the legal framework must permit interventions in the field of maintenance and restoration using the appropriate old techniques, tools and materials. This is often not the case today, as the lawmakers have no idea of the particular demands of the cultural heritage sector and the ensuing economic benefits. But this is the only way in which most authenticity may be kept in the future. When we are discussing the economic and development potential of cultural heritage we are definitely not discussing the economy of a 'Disneyland' construction.

The most important findings of the case studies are:

1. Historic rehabilitation creates 13 % higher return on investments than new construction and 16 % more jobs. It also produces 1.240 times less waste.
2. Historic rehabilitation creates app. 10 % higher return on investments than highway construction and 26 % more jobs.
3. The ch sector creates app 26 jobs for every direct one, compared to the auto industry where the factor is only 6,3.
4. Cultural heritage tourism generates incomes in trade and services to Europe in the order of Euro 335 billion pr. year.
5. The European cultural heritage sector assures employment for more than 8 million persons.
6. Investments in maintenance and upkeep of cultural heritage buildings are capitalised to society at a rate of 1/10.
7. Only 6–10 % of daily spending left at cultural heritage site, the remaining money flows to society around the site. Only 10–15 % of the jobs are directly on the site or directly related to the site.

Dr. Terje Nypan is senior adviser at the Directorate for Cultural Heritage, Norway.

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.

The purpose of the case studies has been to study qualitative as well as quantitative relations between socio-economic growth in space and the occurrence of cultural environments as well as to point at methods, useful for society, for the valuation of the effect of preserving, developing and using cultural environments. The studies have also identified indicators considering an increased respect for cultural heritage values within municipal planning of infrastructure.

The results indicate a number of relations in which the occurrences of cultural environments affect spatial growth patterns. Some relations are of rather qualitative than quantitative nature. Collective identity is certainly difficult to quantify, but examples of quantifiable relations are the frequency of in-migration to a region as well as age structure and commuting patterns.

The studies show that historical environments and historical contexts constitute a collective (public) resource for activities in various social sectors. Employment, tourism and housing aspects dominate the interviews. The employment effects are related to the discussion of the development of tourism. Private housing in cultural environments has proved to be a strong predictor for various actors with interests in cultural environmental care. Further research should focus on the identification of negative as well as positive experiences from projects, in which the efforts to preserve the cultural environment has concentrated on cooperation with other social sectors.

The conflict between preserving perspectives and commercial interests can also be referred to when we investigate the consequences of the confusion between different levels of public management. The Swedish cultural heritage sector is although still dominated by the values, perspectives, and methods developed during the nation-building period. Even if the contribution of historical environments to regional resources was increasingly acknowledged, regional antiquarians find it difficult to convincingly argue for investments in heritage towards other sectors and policy areas. Our hypothesis is that this is due to the fact that generally county antiquarians lack the language, the methods, theory, and empirics needed to debate over the contribution of cultural heritage to regional growth, irrespective of the valuation being in monetary or non-monetary terms. It is therefore relevant to discuss how this deficiency confuses the debate between the heritage interest and actors in industry, housing and administration.

Related readings

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

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

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

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

Martin Paju is a researcher at Centre for Regional Science (CERUM), Umeå University.

Martin Paju works as a researcher at the Centre for Regional Science, CERUM, in Umeå University. He focusses in the linkages between cultural resources and regional development.

Generative use of built heritage

Housing plan for Liedon Vanhalinna

Tarmo Peltonen

Arkkitetoimisto 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.

Turku University Foundation wanted to develop 100 new houses in the delicate cultural landscape. The project can be seen as a case of generative use of built cultural heritage in land-use planning. The open landscape surrounding the prehistoric hill was protected based on a landscape analysis. An old workman's cottage was chosen to be the 'role model' for the new houses. The idea is to scatter the new houses in the wooded slopes, following the irregular topography.

Figure 2. The old cottage.

Figure 3. Sketch of the new 'forest houses'.

Tarmo Peltonen is architect (SAFA) and managing director of Arkkitehti-toimisto Lehto Peltonen Valkama Oy.

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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