EVALUATION OF CULTURAL HERITAGE – FROM THE EPISTEMOLOGICAL PRECAUTIONS TO PRAGMATIC APPROACHES*

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Abstract:
“Cultural heritage” defines something inherited from the past that has a certain cultural significance. The closeness between economists and heritage valuation experts is relatively recent and is due both to comprehending, by the last, that resources are limited and costly, and to economists contribution regarding evaluation means and methods that can be adapted to this field. The aim of this paper is to make a short journey into the conceptual framework of heritage notion, studying the different faces of “value” and the way in which it can be incorporated in public heritage decision-making process. The doctrinaire and methodological classifications are a necessary condition for the success of evaluation methods, including analysis of results. Thus, the objective of our study is to synthesize the theoretical and practical approaches of cultural heritage evaluation, considered crucial in management decisions with respect to this area.

Keywords: cultural heritage, economic valuation, public domain

JEL classification: H23, H41, H43, Q26, Z19

Introduction
If in the past heritage evaluation experts tended to believe that economists focused too much on financial measures, overlooking the real cultural significance of heritage assets, it was proven in fact that there are common features between the economic and cultural approaches regarding heritage valuation. Any decision with respect to preservation, restoration or re-use of, for example, an old building, full of symbols, involves resources, which are characterized as being limited and costly (because, used for heritage maintenance and preservation, cannot go in other alternatives – resulting an opportunity cost attached to them). Not everything coming from the past can be preserved, and, in addition, consumers’ preferences also matter; it is possible they are against the heritage project, if this implies using public funds supplied by their (“non-voluntary”) contributions.

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Any financial revenues resulting from a heritage project should, finally, exceed possible damages to heritage properties and for this kind of evaluation the economic methods instrumental comes into play.

1. Semantic note: about „heritage” and „value”

Before undertaking a greater applied analysis of the stated theme, we will start with a semantic note regarding heritage conceptual framework, mixing it with conceptual elements coming from conventional economics area.

The “heritage” term defines something inherited from the past, and attaching to it the notion of “cultural” its purpose is more clearly defined, in this way referring to things inherited alongside a certain cultural significance.

But, certainly, the most important notion refers to heritage’s value. Two fundamental distinctions should be acknowledged: between individual and collective value, and, also, between private and public value, taking into consideration the subsequent categories of economic and cultural value.

2. Value: between individual and collective

2.1. Individual value

The notion of value in economics represented (and, to some extent, still represents) a subject of debate, but, even in these circumstance, the dominant paradigm of neoclassical economics states that it has found the solution for compromise to this problem in an almost unambiguous manner (more than this, an operationalized way in the current practice of public policies, with inertial relative public consensus), identifying value clearly enough as deriving from individual utility. This is not the moment for a revision of the literature dedicated to “theory of the value”, but even the claim to have resolved the problem of value and of the operations based on it still incorporates, after “the subjective-ordinalist revolution”, an epistemological taboo regarding inter-subjective measurement, comparison and computing of value/utility.

The fact is that in neoclassical economics, idolized against factual… reality, where society is populated by rational consumers, perfectly informed and maximizing their utility, value results from the exchange process on perfectly functioning markets. Even when it is considered the markets fail, value is given by individual consumers’ “willingness-to-pay” expressed for the goods in question.

In principle, individuals can experience heritage by direct consumption (or “use”), by indirect means (“non-use”), or as an external benefit.

Use value represents the value felt by individual as a result of direct consumption of the services offered by the heritage asset, which can be experimented in several ways: by owning assets of heritage or by the pleasure of living or working in such a place (these values are reflected in the market process and can be noticed in the rental value); by tourists’ visits (in this case, value can be estimated with the help of methods such as transport/cost analysis).

In estimating the direct use value of the heritage’s qualities (for example, a historical building used for commercial purposes), it has to be noted that the value of the heritage

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1 Transport/cost analysis uses prices for goods that have a market they are exchanged on in order to determine the value for non-marketable goods. The costs for marketable goods are those paid by the person who wishes to recreate in order to reach the destination and enjoy her activity. The needed equipment, access taxes, food, time spent, cost of the hotel, parking fees, visits’ frequency and other costs are also included, and based on these information the aim is to design a demand curve for the recreational activity.
itself is in fact a marginal one. For sure, the building would have some rental value even in the absence of its heritage qualities.

The second aspect of individual evaluation is non-use value (or passive use value) felt by individuals, but not reflected in the market process. “The environment economics”, today a subject extremely popular, where substantial progress has been made lately, diversifying and polishing its “non-market valuation” methods, is the one identifying the categories of non-use values, relevant likewise for cultural heritage valuation², namely existence value, bequest value and option value.

— **Existence value** derives from the fact that people believe that a good has an intrinsic value, different from the use value, for whose existence they are willing to pay (even if there is the possibility never to use or consume it); satisfaction results because it is known the heritage will continue to exist.

— If altruism also considers the next generations, the value of the good in question will be a bequest value, which appears when individual satisfaction derives from continuing the existence of the heritage for potential future benefits (known or unknown) of others.

— **Option value** represents the value attached to the desire to preserve heritage assets in order to leave open the option to consume their services in the future³.

All these types of values are based on, as previously mentioned, *individual willingness-to-pay*, for whose measurement a couple of methods developed, from which two will be briefly presented: *contingent valuation* and *discrete choice modeling*.

*Contingent valuation* discusses with questionnaires, where people can be asked how much they are willing to pay to avoid a destructive action to a heritage asset, or, alternatively, what compensation would they require to accept such a situation. The biggest advantage of this approach is that it can be applied to any evaluating problem, including where other methods already exist. Although, at first sight, the method looks simple, it is not problem-free: respondents can find out from the interrogators the most part of the information, respondents are affected by the fact the market is hypothetical not real, the way in which information is presented can influence individual responses. In addition, it has been observed that people have the same willingness-to-pay both for a part of the evaluated good and the whole good. Accordingly, the results of these studies are often contested, ranging in a large interval.

*Discrete choice modeling* can be used to compare a range of choices (as opposed to contingent valuation, which, generally, is restricted to comparing a single choice with a current situation). The heritage asset is described as a set of attributes, where each attribute can have many possible values, in a given interval. All attributes’ combinations are aggregated to build a matrix of possible scenarios for the asset. Interviewees are presented approximately 8-10 sets, each consisting of, usually, two hypothetical options and a given situation (*status quo*) and are asked to select the one they prefer.

There is also a third type of value for cultural heritage felt by individuals, different somehow from the first two categories, although it has both use and non-use value characteristics, emerging from the fact heritage can generate positive externalities. Even if,
as a rule, the economic value of such an external benefit could be estimated, in real life this can be hard to achieve. Nevertheless, positive externalities are an identifiable and potentially significant value for heritage.

2.2. Collective value
In economics literature, emerging from the need to comprehensively answer pragmatic exigencies, it has been addressed the question if there are collective benefits with respect to heritage assets that are not considered relevant by individuals, but which can still be important for decision-making. It can be thought only individuals matter, but one cannot stop wonder if the standard economic model really takes into account all the features of cultural heritage which lead to what is known as its cultural significance. These kinds of statements bring into light an alternative approach that accounts for the concept of cultural value in addition to the economic value the assets possess.

Dissecting cultural value into its constituting elements, the following subsequent categories can be noted: esthetic value, spiritual value, social value, historical value, symbolic value, authenticity value.

— Esthetic value refers to beauty qualities a heritage asset possesses, regardless if these qualities are intrinsic or are perceived as such by the consumer.
— Spiritual value can contribute to the sense of identity of a community, individual or visitor, offering them cultural confidence and a bond between local and global environment.
— The interpretation of culture as values and beliefs shared by the same group suggests that heritage’s social value can be reflected in the social stability and cohesion of the community. That asset puts its mark on the community’s living style helping to identity those values which make that community a desired place to live and work in.
— Historical value is, without any doubt, intrinsic to heritage, being easily identifiable from an objective point of view. Its main benefit is it helps defining identity, making the link with the past and revealing the origins of the present.
— With respect to symbolic value, a heritage can transmit some significances and information which help community to interpret its identity and to express its cultural personality.
— And, not least, authenticity value refers to the fact that heritage can be appreciated for itself, being real and unique.

If the right tools for measuring cultural value existed, then, at least in principle, a parallel could be made with the economic analysis, applying the standard methodology of cost-benefit analysis. But this objective is hard to achieve when there are yet to be developed the needed metric systems.

3. Value: between private and public

The second fundamentally important distinction for cultural heritage value is between private and public value, distinction finally translated into the desired property regime, being most easily observed in the listing process. Listing has a direct impact on private heritage owners (regarding costs for respecting regulations or regarding lost opportunities for development), but in the same time also influences the public value (the aim of the listing process is to protect heritage’s non-market benefits as they are felt by public at large). The problem being a distributional one (accounting for beneficiaries and losers), cost-benefit analysis is considered to be appropriate for costs and benefits evaluation. The distinction between the two values is recognized in the larger field of investment evaluation, where the difference between private and social cost-benefit analysis is rightly understood. In the case of a heritage project such as preservation or re-use of a private

4 Throsby 2006.
5 According to the common definition, cost-benefit analysis estimates and aggregates the monetary equivalent of present and future social costs and benefits, from citizens’ point of view, regarding public investment projects, discounted and compared, in order to decide whether the projects in question are in the public interest (Iacob și Crețan 2009).
property, a cost-benefit analysis undertaken from a private point of view would analyze financial flows or opportunities costs as they are experienced by the individual owner. For a social cost-benefit analysis of the same project, some adjustments have to be considered: taking into account taxes/subsidies and transfers; using shadow prices, not market prices\(^6\); using a smaller discount rate to reflect the social time preference; the inclusion of all non-market effects; and recognizing, if possible, each cultural value or collective benefit not accounted for until now. But, regardless of the level cost-benefit analysis is undertaken at, it only represents a small part of the information needed to be gathered in the complex process of decision-making.

It is considered that, for public purposes, the social evaluation should come first, public authorities watching over the public interest, but, all the while, private property rights need to be respected, issue that seldom is a source for conflict between heritage listing authorities and private owners.

**Final considerations**

The paper concentrates on presenting the conceptual framework and on underling the fundamental role of the “value” notion in the heritage area, being all the while stressed out the importance of distinguishing between different types of value. Although various methods of economic analysis can be adapted to our subject, trying to also take into account the cultural value, alongside the economic one, the valuation field still needs to be developed. Solving the problems and finding the solutions are highly connected to cooperation among economists and heritage experts, given its multidimensional nature.

**References**


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\(^6\) Considered “distorted” for the objective of cost-benefit analysis. For more details, see Treasury Board of Canada Secretariat, 1998.


