

Economics and Heritage Conservation

A Meeting Organized by the Getty Conservation Institute, December 1998



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December 1998, Getty Center, Los Angeles

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The Getty Conservation Institute works internationally to further appreciation and preservation of the world's cultural heritage for the enrichment and use of present and future generations. The Institute is an operating program of the J. Paul Getty Trust.

Table of Contents

| | |
|--|-----------|
| Preface | 1 |
| Economics and Heritage Conservation: Concepts, Values, and Agendas for Research | 2 |
| <i>Randall Mason</i> | |
| Conclusions of the Meeting | 2 |
| Background | 4 |
| Goals | 8 |
| Outcomes | 8 |
| Research Agenda | 15 |
| Notes | 18 |
| The Economics of Heritage Conservation: A Discussion | 19 |
| <i>Daniel Bluestone, Arjo Klamer, David Throsby, Randall Mason</i> | |
| The Values of Cultural Heritage: Merging Economic and Cultural Appraisals | 23 |
| <i>Arjo Klamer and Peter-Wim Zuidhof</i> | |
| Introduction | 23 |
| Part I: Economists on Cultural Heritage | 25 |
| Part II: Financial Arrangements Matter | 46 |
| Appendices | 55 |
| Notes | 58 |
| References | 59 |
| Further Reading | 62 |
| Meeting Participants | 63 |

Preface

It is not a new discovery that economics play a large role in our everyday lives—and an ever larger role in the sphere of culture and the arts. The influence of economic and business thinking presents a significant challenge to the heritage conservation field. We are confronted with a daunting array of economic difficulties and obstacles—as well as new worlds of opportunity.

Increasingly we find economic considerations taking precedence over cultural, social, political, and aesthetic values when it comes to making decisions about what heritage is to be conserved. Because this trend is occurring the world over with regard to all types of material heritage, and because our decisions about what and how to conserve are strongly influenced by economic considerations, the Getty Conservation Institute (GCI) is pursuing the Economics of Heritage Conservation as an area of research.

This report conveys the results of GCI's initial meeting on this research topic and highlights some specific areas that will receive further consideration and research. An interdisciplinary and international group of scholars and professionals convened for three days in December 1998 to discuss, in broad terms, the potential for collaboration and conflict when economic and cultural values are brought together. We were successful in identifying specific areas of agreement and disagreement. These will form the basis of an ongoing collaboration among economists, scholars of culture, and conservation professionals as we continue our work on this topic.

The aim of our Economics project and other conservation research activities is the cultivation of creative, holistic, multidisciplinary, and even speculative thinking about the future of conservation and its role in society. This type of research is essential if cultural heritage and its conservation are to play a productive role in the society of the next millennium.

What is at stake when we speak of the role of heritage in society? As this report goes to print, a dreadful, destructive scenario continues to unfold in southeast Europe. This civil, military, political conflict centers on the strong feelings and social bonds that are rooted in heritage—in issues of land and culture. These events should be an additional caution to those of us concerned with the fate of heritage. We conserve, interpret, manage, and invest in heritage at our peril if we don't understand the roles it plays in society—for better and for worse—as a lightning rod for cohesion and conflict.

This report consists of the following sections: an essay describing the background, goals, discussions, and conclusions of the December 1998, meeting (accompanied by quotes, in the right-hand column, excerpted from meeting transcripts); the transcript of a public panel discussion held at the J. Paul Getty Museum as part of the meeting; the text of the background research paper prepared in advance of the meeting; and suggestions for further reading.

Thanks go to Professor Arjo Klamer and Peter-Wim Zuidhof for their diligent work in creating the background paper, and for their collaboration in designing and facilitating the meeting. Thanks are also extended to our colleagues from around the world as well as those from the Getty who took part in the December meeting.

I encourage you to join with us in this research, make these questions your own, and contact us with your thoughts and ideas on these topics.

Marta de la Torre
April 1999

Economics and Heritage Conservation: Concepts, Values, and Agendas for Research

Randall Mason

From December 8 through 11, 1998, the Getty Conservation Institute gathered a group of scholars and practitioners for a conference investigating economic issues relating to the conservation of heritage objects, collections, buildings, and sites. The participants—drawn from disciplines ranging from economics to anthropology to conservation¹—discussed and debated the contributions that economic discourse and analysis can make to the work of conservation. In particular, they sought to understand the economic influences on conservation decisions and to identify concepts and approaches for evaluating both the economic and the cultural values of heritage.

This meeting, part of a larger inquiry into the economics of conservation, was designed to fill a specific absence in the existing body of work on economics and conservation: the need to investigate the *concepts* that have traditionally separated economic and cultural conservation discourses and to investigate concepts for joining them. This approach contrasts with the thrust of much contemporary research on the economics of conservation, which asks *how* to measure heritage in terms of price, without considering *why*. Most such work is aimed at refining economic tools for measuring heritage value, without consideration for the assumptions that underlie them and that often undermine the relevance of heritage conservation to society. The gathering yielded a number of concrete insights, several specific directions for further research, and a remarkable discussion among the many disciplines represented at the table.

At the heart of the meeting was the fundamental quandary that methods of economic valuation increasingly dominate society's handling of the value of heritage, while the same methods are unable to account for some of the most salient values and virtues of heritage—namely, historical meaning, symbolic and spiritual values, political

functions, aesthetic qualities, and the capacity of heritage to help communities negotiate and form their identity. In short, heritage cannot be valued simply in terms of price.

The participants worked to bridge this gap, discussing ways to improve the ability of economic thinking to understand, inform, and support conservation. A great deal of energy was devoted to finding intellectual common ground among different disciplines and values—concepts and models that connect economic thinking with the concerns of heritage and conservation advocates—and by all accounts, the meeting yielded significant progress. The research coming out of this meeting, undertaken by the GCI, its collaborators, and individual scholars, will lead toward a unifying approach to the values of heritage and to a means of accounting for the multiplicity of values that are such a fundamental part of the conservation process.

Conclusions of the Meeting

The following points summarize the main conclusions reached during the meeting.

The Nature of Heritage

Prefacing the discussions of economics, we observed two aspects of cultural heritage that strongly shaped the discussions. First, material heritage is valued in a number of different, sometimes conflicting ways. The variety of values ascribed to any particular heritage object—economic value, aesthetic value, cultural value, political value, educational value²—is matched by the variety of stakeholders participating in the heritage conservation process. Balancing these values is one of the most difficult challenges in making conservation decisions that satisfy the needs of many stakeholders. Second, “heritage” is an essen-

tially collective and public notion. Though heritage is certainly valued by individuals, its *raison d'être* is, by definition, to sustain a sphere of public interest and public good. This insight is a common thread running through all the types of heritage values noted above; the meeting discussions demonstrated many times over that it is key to understanding conservation decisions in either economic or cultural terms.

The Value of Economic Thinking

Economic thinking and concepts make indispensable contributions to our understanding of conservation's role in society. As a social science, economics sheds light on individual behavior as well as on the character of society, and thus shares a great deal with anthropology, art history, and other disciplines whose work has traditionally had a close relation to the field of conservation.

Measuring Heritage in Terms of Price

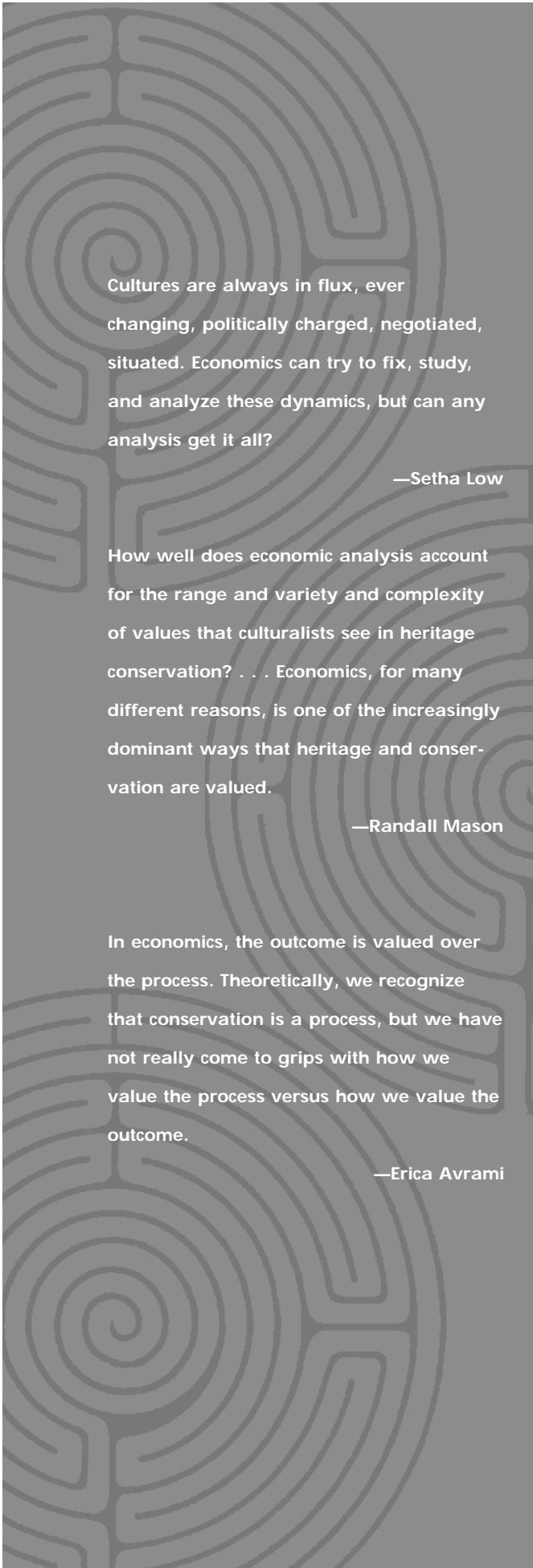
Traditional economic models fail in important ways to analyze heritage and conservation; these models are designed to express all values in terms of prices, which are established in markets. However, all heritage values cannot be put into a single, traditional economic framework, nor can they all be measured in monetary terms. Much creative work has been undertaken to strengthen economic science. Potentially, other, multidisciplinary frameworks, concepts, and analytical tools can be devised to account for the full range of values.

Bridging Economic and Cultural Approaches

Analytical models from cultural fields (which underpin conservation practice) offer a variety of ways to conceptualize the value of heritage—many of which are quite unrelated to economic discourse and values. However, this needn't be the case. Greater engagement between cultural and economic concerns, as well as mutual understanding, is essential for enabling conservation to play a greater role in civil society.

The Growing Influence of Markets

Market economics holds sway in more and more spheres of contemporary society and is a factor of



Cultures are always in flux, ever changing, politically charged, negotiated, situated. Economics can try to fix, study, and analyze these dynamics, but can any analysis get it all?

—Setha Low

How well does economic analysis account for the range and variety and complexity of values that culturalists see in heritage conservation? . . . Economics, for many different reasons, is one of the increasingly dominant ways that heritage and conservation are valued.

—Randall Mason

In economics, the outcome is valued over the process. Theoretically, we recognize that conservation is a process, but we have not really come to grips with how we value the process versus how we value the outcome.

—Erica Avrami

growing prominence in conservation policies and decisions. This development goes hand in hand with the globalization of society. A balance of different valuing systems, discourses, and modes of analysis—economic and cultural—is needed to address this perceived policy shift in the larger society.

Conservation as a Process

The social processes behind conservation decisions have to be understood better in order to balance and reach decisions about the multiple values of heritage. The consensus at the meeting was that many aspects of conservation are best modeled as a continuing and contingent process. This insight follows from a vast body of research undertaken in the humanities and social sciences—although it was observed that a process-centered model contrasts with the conservation field’s traditional focus on products and outcomes.

Conceptual Common Ground

Meeting participants agreed on several concepts, models, and other topics that have potential for bridging economic and cultural approaches to valuing heritage, informing conservation practice, and shaping decisions. Looking to the future, each of these would be a worthy subject for collaborative, multidisciplinary research:

- the difference between economic and cultural values—this subject was a focus of rewarding conceptual discussion throughout the meeting, and it was felt that this basic theme should remain on the table as the GCI’s research on economics is continued; there is much to be gained by continuing to debate these two distinct ways of valuing heritage and discussing how they conflict and how they might overlap;
- sustainability, and other concepts rooted in environmental conservation, which purposely bridge economic activities and social issues and lead to new policies and social norms;
- the concept of cultural capital, as an extension of the work on social capital and natural capital undertaken in other fields, which has had significant impact on social and environmental policy;
- decision-making processes, structures, and insti-

tutions, which play a strong role in shaping conservation outcomes and are an abiding research interest in both economic and cultural fields;

- the role of the third sphere³ (which includes nonprofit organizations, civic associations, voluntarism, and so on) as an arena of social and economic exchange distinct from the market sphere and the government sphere, and essential to civil society.

Background

VALUING THE ECONOMICS OF HERITAGE CONSERVATION

Can economic analysis account for the richness of cultural values ascribed to heritage? If so, how? These are the fundamental questions addressed at this meeting.

Throughout contemporary society, the importance of economic forces is on the rise—the reality of globalization and the increasing dominance of market-based approaches to social concerns are sure signs that the conservation field needs to engage in serious research regarding economics.

Economic factors shape the possibilities of conservation practice in fundamental ways, by influencing decisions, shaping policy, encouraging or discouraging the use of heritage, enabling conservation work through financing, giving incentives to stewardship, and so on. Pricing, trading, financing, taxing, and subsidizing occupy a sphere of social activity too rarely thought to be of concern to the conservation field; even so, the concepts, language, tools, and practices of economists and the operation of economic institutions often set the stage for conservation practice.

The investigation of economic perspectives on cultural heritage and of the economic values tied up in conservation practice are therefore a priority in the GCI’s efforts to strengthen conservation practice and advance the understanding of conservation’s role in contemporary society. It is essential, in the GCI’s view, that the heritage conservation field develop a stronger command of economic logic, discourse, and tools in order to be more effective in

applying its expertise. This meeting was a deliberate step toward this goal, an attempt to establish dialogue and a shared sense of purpose among the economic and cultural fields.

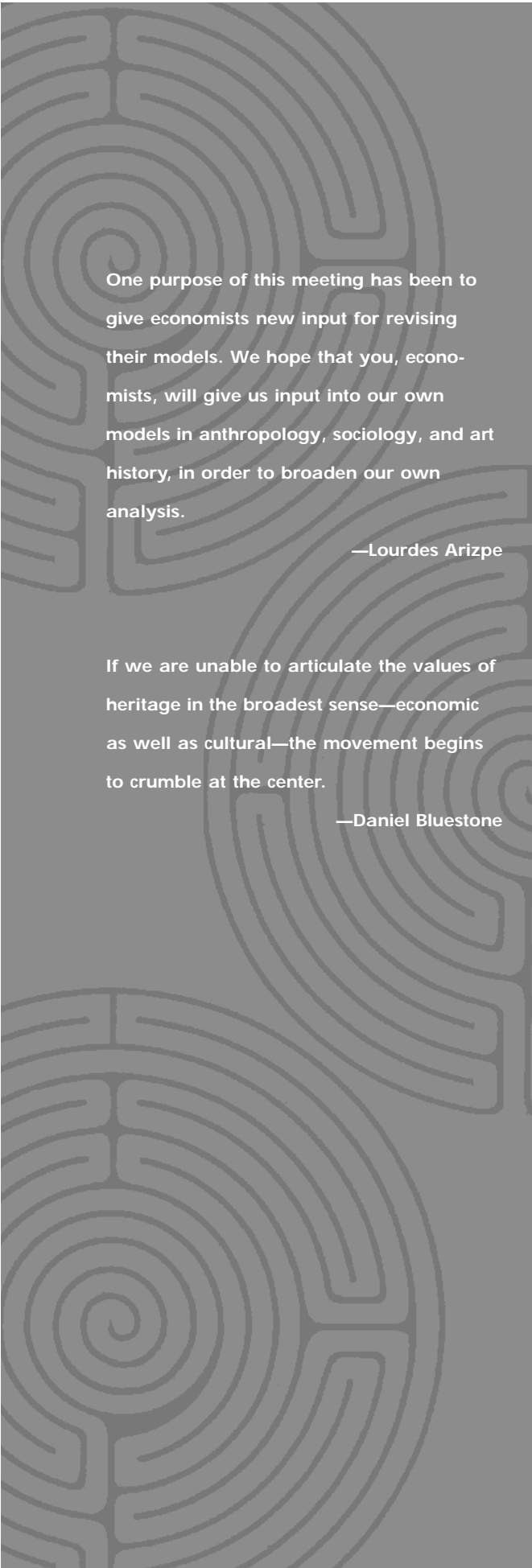
Moreover, the conservation field has a great deal of knowledge to convey to the field of cultural economics as it engages heritage conservation. The range, complexity, and multivalent nature of the values that underlie heritage and the practice of conservation are a particular concern. Economic discourse must be reworked and reimagined to account for these kinds of value—*aesthetic, symbolic, historic*—and to go beyond different methods of pricing, or recognition of the public-good character of heritage objects and places.

CONSERVATION RESEARCH PROGRAM

The GCI's conservation research program explores the role of social forces (economic, cultural, political) on the practice of conservation. Through a program of integrated research activities—both conceptual and empirical—the GCI and its collaborators investigate issues related to the conservation field's function in civil society. This research initiative includes conferences and symposia, commissioned research papers, original research, and dissemination of research results to the conservation field and its allied disciplines.

The Economics of Heritage Conservation inquiry grew out of an investigation of the values and benefits of heritage conservation, specifically the role of social values and valuing processes in conservation. In identifying the wide range of values that are applied to heritage and that shape conservation practices and decisions, it became clear that one of society's most important means of valuing—*economics*—warranted a focused effort on its own. In the course of isolating economic issues and studying them intensively, the ultimate goal has remained the integration of the Economics inquiry into the area of values research.

Two important points from the early phases of GCI research should be briefly relayed here, as they helped form the questions driving this Economics meeting: First, valuing processes underpin conservation and should even be seen as *part of* the conserva-



One purpose of this meeting has been to give economists new input for revising their models. We hope that you, economists, will give us input into our own models in anthropology, sociology, and art history, in order to broaden our own analysis.

—Lourdes Arizpe

If we are unable to articulate the values of heritage in the broadest sense—economic as well as cultural—the movement begins to crumble at the center.

—Daniel Bluestone

tion process. Decisions of *what* to conserve and *how* to conserve are made in the context of many different valuing systems, not just those of conservators. It is one of the basic contentions of this research that heritage is routinely valued in a number of distinct ways—on economic, aesthetic, religious, political, cultural, and other grounds. Second, the valuing process consists of two distinct but intertwined parts: *valuation* (the assessment of existing value) and *valorization* (the addition of value). These are essential parts of the conservation process, and the distinction between them helps explain why economic values (which, in broad brush, are the result of valuation) are often seen as quite separate from cultural values (which result more from the process of valorization).

THE ECONOMICS INQUIRY

The formative questions for the Economics meeting were first voiced at a GCI meeting on the values and benefits of heritage held in January 1998. Participants in that gathering recognized that economic values were not given wide consideration in conservation circles (and in studies of culture more generally), as they were seen to always “crowd out” and trump the cultural values that have traditionally been at the heart of conservation work. The inclusion of an economist—Prof. Arjo Klamer of Erasmus University, Rotterdam—in the January meeting led to a more balanced insight: economic values are dominant in the society at large and have a well-formed canon of methods and tools to support them. If the conservation field wants to have greater influence in society, it must find ways of engaging (not simply resisting) the power and influence of economists’ work and business thinking; likewise, economists dealing with culture, heritage, and the arts must be willing to examine the limits of traditional economic thinking. How can economic analysis be strengthened by the insights of “cultural” fields (such as anthropology, sociology, and art history) and of the conservation field itself? This question set the foundation for our Economics meeting.

To address these important questions for the conservation field and to build on the growing body of work in cultural economics, the GCI began organizing a second meeting in consultation with Klamer

and other colleagues in the conservation, cultural, and economics fields.

BACKGROUND RESEARCH ON THE ECONOMICS OF CONSERVATION

In preparation for the meeting, GCI staff worked with Klamer and his colleagues at Erasmus University to develop a background research paper and a collection of previously published articles to serve as a briefing package for the meeting. Klamer’s background paper clearly set out the assumptions and concepts underpinning the economists’ traditional individual- and market-centered approach to the question of values. One of the paper’s key points is the ineluctable conclusion that markets “fail” when dealing with heritage conservation—that is, markets alone fail to provide for investment in heritage—and this phenomenon is due to the public-good character of cultural heritage objects. In the absence of workable markets, other arrangements must be found to finance conservation and other heritage investments, and this responsibility has traditionally fallen to governments.

The background paper made a distinction between two basic kinds of valuing processes and two corresponding ways of thinking about value: *economic* and *cultural*. Each of these modes of thinking is advocated by a corresponding group—economists and “culturalists,” including conservators, art historians, anthropologists, and other social scientists. These two camps represent very different approaches to understanding the interplay of values and conservation. In devising the *culturalist* neologism, Klamer imposed a useful set of categories on the participants in the meeting. While everyone rejected the label *culturalist*, it challenged participants to match the rigor and the clear frameworks with which economists approach heritage conservation. The economist/culturalist distinction forced the diverse group of non-economists to search for and articulate the principles, assumptions, and methods that guide the formation and analysis of the cultural values of heritage. Distinguishing between these two approaches also paved the way for the subsequent meeting sessions devoted to bridging these two worldviews.

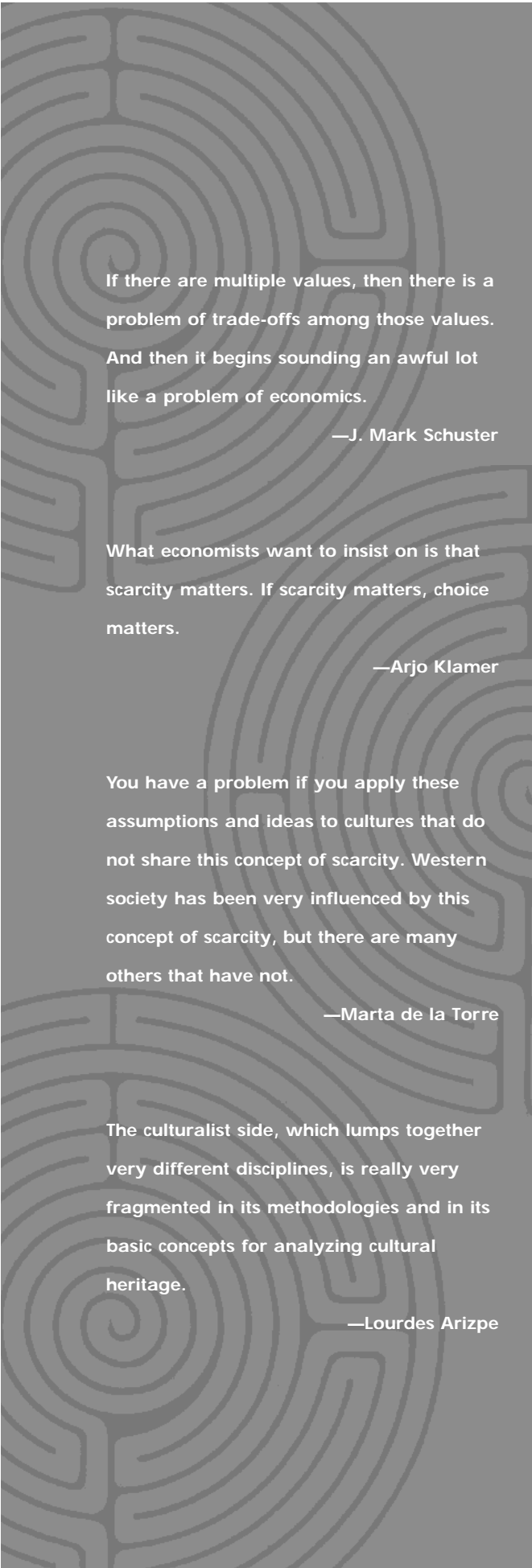
Klamer also reviewed the current work of cultural economists, including the analytical tools that are currently being used to measure the values of cultural heritage in order to make investment and policy decisions regarding conservation. These include contingent valuation methods, willingness-to-pay studies, impact studies, and more. Many of these methods are borrowed from the field of environmental economics.

In the second part of the briefing paper, Klamer proposes a specific framework for explaining how conservation is financed when markets fail. This “three spheres” model explains and tracks the universe of different financial arrangements. The model outlines three distinct (and complementary) spheres of economic activity—markets, governments, and the third sphere of nonprofit organizations—and the types of exchanges, institutions, and ways of decision making that characterize each. Klamer emphasizes the creative possibilities inherent in the notion of gift exchanges (which are characteristic of the third sphere), and notes the capacity of gifts to account for economic and cultural values. Further, the model synthesizes and extends the economists’ insight into the ways heritage is valued—not only by individuals but by communities, governments, and other collective institutions. Given the essentially collective nature of heritage—it is an expression of group identity, not entirely reducible to individual consumer choice—this is an important turn for economic thinking on heritage.

DESIGNING THIS MEETING

The role of economics in conservation is often narrowly conceived to mean measuring the economic impact of tourism, pricing movable heritage in art markets, and identifying means of financing conservation. These would more accurately be called the business concerns of conservation. Yet economic issues of conservation run much deeper and require a good deal of conceptual clarification.

This meeting, the first in a deeper research inquiry, purposely refrained from the question of *how* to measure and price the noneconomic values of heritage. Questions about refining analytical methods are an abiding interest within the main-



If there are multiple values, then there is a problem of trade-offs among those values. And then it begins sounding an awful lot like a problem of economics.

—J. Mark Schuster

What economists want to insist on is that scarcity matters. If scarcity matters, choice matters.

—Arjo Klamer

You have a problem if you apply these assumptions and ideas to cultures that do not share this concept of scarcity. Western society has been very influenced by this concept of scarcity, but there are many others that have not.

—Marta de la Torre

The culturalist side, which lumps together very different disciplines, is really very fragmented in its methodologies and in its basic concepts for analyzing cultural heritage.

—Lourdes Arizpe

stream economics discipline, but they often presume (mistakenly) that (1) this kind of measurement has a negligible effect on non-economic (cultural) values, and (2) that the information gained will necessarily lead to better decisions and outcomes.

This meeting was based on a different presumption: that much can be gained by discussing the conceptual issues and assumptions that underpin heritage valuing. Cultural economists should be encouraged in their ongoing work to extend into the area of non-economic values without assuming the need to quantify them—or, rather, without assuming the *value* of doing so. It became apparent in our meeting that further research on such topics as cultural capital, sustainability, the role of the third (non-profit) sphere, decision-making processes, and cultural indicators will provide a rich fund of ideas on which conservation professionals and policy makers can draw as alternatives to measuring the value of heritage simply in terms of price.

Procedurally, the meeting's starting point was the establishment of a shared appreciation for the insights of cultural economics, in which the shortcomings of traditional economic discourse and analysis are well recognized. Through a series of discussions we sought ways to:

- extend the work of cultural economics, so that it is better able to model the cultural values of heritage;
- explore the ways in which economic values and discourse shape conservation practices and decisions; and
- imagine concepts that would be common ground for economic and cultural analysis of heritage values.

Our goals included the very specific item of formulating a research agenda for the GCI, its collaborators, and other organizations to carry forward with specific lines of inquiry. Sustained over the course of three days, the vigor and open-mindedness of the discussions was remarkable. The participants successfully worked across disciplinary lines to identify concepts, ideas, models, and cases through which the different values can be brought into common understanding without losing their essential qualities.

Goals

The meeting discussions took their cue from a clear set of goals that identified the conceptual insights to arise from the meeting and also identified ways to apply the insights in future research and dissemination. These five goals were formulated by GCI staff in concert with Klamer and presented at the outset of the meeting:

- Understand how conservation decisions (what gets conserved and how) are shaped by different ways of valuing heritage.
- Find the common ground shared by economist and culturalist ways of valuing and valorizing heritage.
- Understand the contributions and limits of economic discourse as it relates to conservation.
- Establish what we need to know about the economics of conservation and formulate a strategy for getting there.
- Take advantage of this opportunity to work creatively across disciplines.

Outcomes

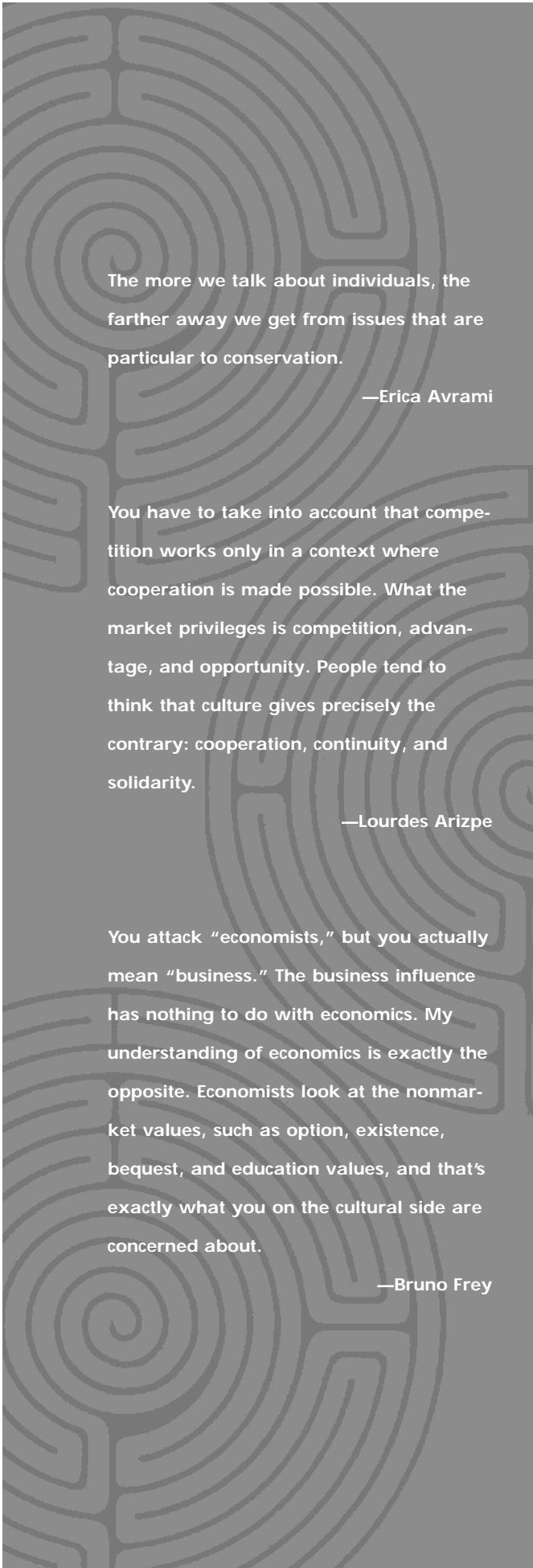
Stemming directly from the five goals, the discussions—among the plenary group and in smaller, breakout groups—were aimed at achieving the following four outcomes. The statement of each intended outcome is followed by a summary of what was discussed in the meeting:

OUTCOME 1: An articulation of the contributions economic discourse can make to heritage conservation, as well as an understanding of the limits of economic discourse.

First, participants from all disciplines recognized that the contributions of economic science to heritage conservation are significant but indeed limited. Many such contributions were outlined in Klamer's background paper and were reinforced or extended by the other economists participating in the meeting.

Economics contributes to the understanding of heritage values by clarifying some basic insights about individual behavior, economic institutions, politics, and the essential economic functions of society:

- *Scarcity and competition:* Resources are scarce (or rather, limited), and competition for scarce resources is a driving force in society.
- *Markets:* Markets are a preferred way of allocating many kinds of resources and are premised on the sovereignty of individuals. Market dynamics guide decision making about many aspects of society, including heritage conservation (as in the case, for example, of a government agency deciding to allocate conservation funds to projects that will generate the most tourism revenue).
- *Public goods:* In certain cases, resources cannot be allocated effectively through market mechanisms (examples include clean air, as well as heritage); the overall value of such goods is not reflected by the prices individuals are willing to pay in the market. Such “public goods” show the limitations of markets and the necessity for types of economic exchange and economic institutions in addition to markets (i.e., government grants or voluntary donations).
- *Market failure:* Markets fail to provide for certain public goods; this basic economic phenomenon (market failure) leads to collective action for the provision of “heritage goods”—most often the collective action is taken by a governmental body. Economists recognize that market failure is the rule, not the exception, in the case of cultural heritage, and their search for analytical tools and approaches takes off from this insight.
- *The roles of non-market institutions:* Given that markets fail to provide for cultural heritage, economists search for other types of transactions, analytical tools, institutional mechanisms, and decision-making processes to take care of the provisioning of heritage goods in society. These efforts often focus on ways of simulating or extending market principles into areas where markets traditionally fail (contingent valuation or cost-benefit analyses are examples of this);



The more we talk about individuals, the farther away we get from issues that are particular to conservation.

—Erica Avrami

You have to take into account that competition works only in a context where cooperation is made possible. What the market privileges is competition, advantage, and opportunity. People tend to think that culture gives precisely the contrary: cooperation, continuity, and solidarity.

—Lourdes Arizpe

You attack “economists,” but you actually mean “business.” The business influence has nothing to do with economics. My understanding of economics is exactly the opposite. Economists look at the nonmarket values, such as option, existence, bequest, and education values, and that’s exactly what you on the cultural side are concerned about.

—Bruno Frey

another line of inquiry for economists is policy analysis, which focuses on the ways in which government steps in when markets fail.

In some instances, the contributions of economic discourse were interpreted by participants as limits to understanding heritage values. The most important example of this type of limit is economics' reliance on expressing *all* values in terms of price, or money. By expressing different values in the common denominator of price, economic analyses provide a seemingly objective basis for decisions about relative worth (of different heritage goods or investment alternatives, for example). However, it is difficult to accept that all the values of the heritage can be expressed in terms of price. In fact, the reduction of complex heritage values to this one easily measured unit is fundamentally opposed to the culturalist/conservation view. Many cultural economists, in fact, reject this view and turn their attention to decision making, policy formulation, understanding the role of gifts and other non-market-priced exchanges.

Regarding the limits of economic discourse, meeting participants brainstormed on a number of social issues, cultural processes, and political goals, which, it was felt, contribute to civil society but are fairly invisible to traditional economic discourse.⁴ Clearly, some of these issues and processes are more ideological in nature⁵, but the list includes issues that often are addressed through heritage conservation and are not well accounted for by economic models and concepts. The following list is suggestive, not exhaustive:

- social justice and equity in the provision and management of material heritage;
- intergenerational equity, which is to say, ensuring that heritage is preserved for future generations;
- public accessibility of heritage objects and sites;
- contextual meanings lent to cultural heritage by the historical-geographical moment in which it is situated;
- psychological security;
- cultural confidence, or the effect of the pace and drastic nature of cultural change on those exper-

riencing it;

- community values stemming from people's identification with a place;
- politics and power struggles involved in the negotiations of everyday practice and routine decision making;
- visual/experiential/spectacle qualities of heritage;
- differences in the scale of conservation activity (i.e., the different kinds of value seen in heritage depending on local, national, or global perspective);
- the locus of decision making and the extent to which it is centralized or decentralized.

Economic versus cultural values

The fundamental limit of economic thinking is that it cannot discern important cultural and social values⁶ in a manner that maintains the integrity, potential, and rich meaning of these values. What are these cultural and social values? They include (but are not limited to):

- the spiritual significance ascribed to religious artifacts and places of worship;
- aesthetic qualities that are the basis of art appreciation and connoisseurship, and the result of artistic creativity;
- political functions served by totems of nationalism found and created in all parts of the world;
- the power of things to create and sustain people's identity as members of culture groups (whether tribes, sects, regions, classes, etc.).

For each of these categories, values are formed around or through material culture—objects, collections, buildings, and places. And thus heritage is understood to serve certain, well-defined social purposes, while conservation performs the essential social function of safeguarding and sustaining heritage.

The fundamental limit of economics, then, resides at a general level of value categories; religious, aesthetic, cultural, and symbolic values attached to heritage objects and places are unac-

counted for by economic analysis and any attempt to translate these values into economic analysis is difficult. It is the consensus among culturalists that these cultural values are degraded when they are expressed simply in terms of price.

It should be noted that some economists disagreed that economics is limited in this regard; instead, they argued that analytical tools can indeed be designed to express any cultural value in terms of price. On the whole, however, most participants—economists and culturalists alike—agreed that there are limits to the analytical reach of traditional economic methods.

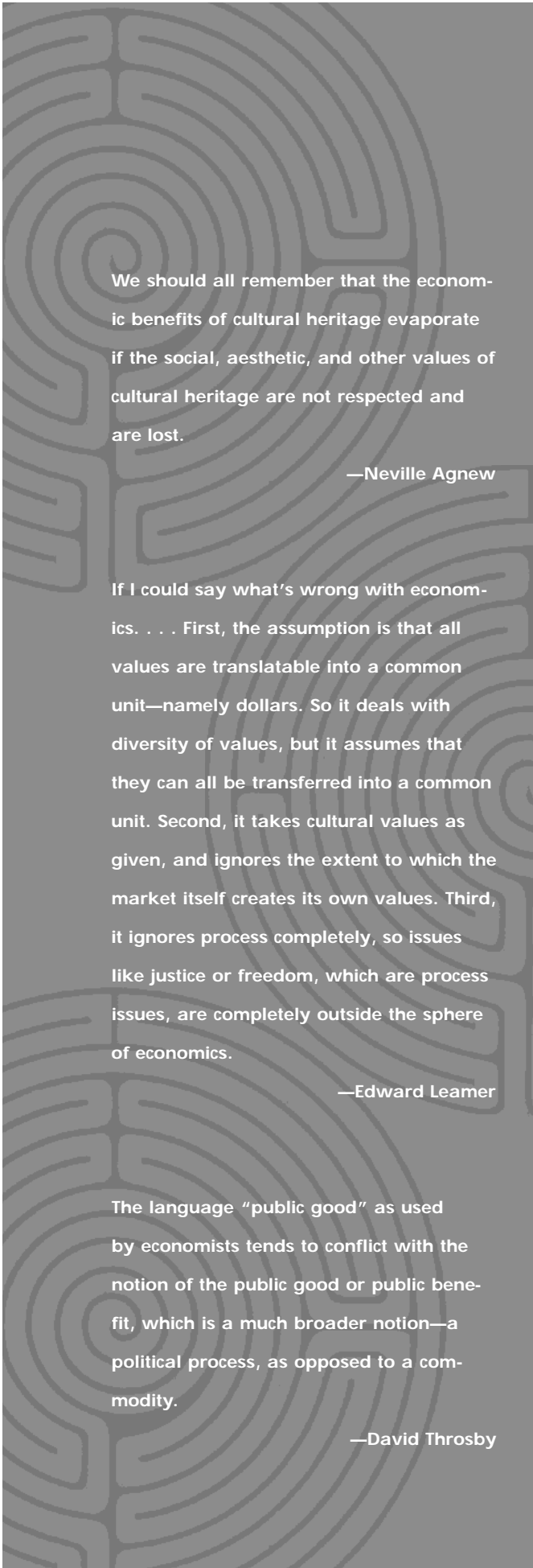
OUTCOME 2: An articulation of the differences between economist and culturalist perspectives on valuing heritage, as well as ideas for bridging those differences.

This outcome represents an effort to distinguish between these two perspectives and, more important, to find common ground between them. Throughout the meeting, participants were asked to name the specific concepts, theoretical concerns, and research areas that address both economic and cultural value and thus would hold the best promise for future collaboration and progress. Answers to this question would not have been forthcoming if participants had not already voiced their mutual willingness to work across the economist-culturalist divide. We were gratified by the number, the specificity, and the substantial nature of the common grounds identified by participants. The areas of agreement are briefly described here:

Common ground

The public nature of heritage

Participants agreed that heritage goods have an inherently public nature, yet economists and culturalists understand the term public in significantly different ways. To economists, public refers to that which cannot be priced and provided through markets; public goods are said to be nonexcludable (once produced, no one can be excluded from “consuming” the good) and nonrival (one person’s consumption of the good doesn’t preclude someone



We should all remember that the economic benefits of cultural heritage evaporate if the social, aesthetic, and other values of cultural heritage are not respected and are lost.

—Neville Agnew

If I could say what’s wrong with economics. . . . First, the assumption is that all values are translatable into a common unit—namely dollars. So it deals with diversity of values, but it assumes that they can all be transferred into a common unit. Second, it takes cultural values as given, and ignores the extent to which the market itself creates its own values. Third, it ignores process completely, so issues like justice or freedom, which are process issues, are completely outside the sphere of economics.

—Edward Leamer

The language “public good” as used by economists tends to conflict with the notion of the public good or public benefit, which is a much broader notion—a political process, as opposed to a commodity.

—David Throsby

else's consumption of it).⁷ For culturalists, the term public invokes the basic political nature of all collective activities in society—in other words, the myriad power struggles and social exchanges that attend any effort to participate in the public realm. Public good, in culturalist parlance, refers to something quite distinct from an artifact or building that an economist might term a public (heritage) good. In terms of cultural values, a public good is a practice or a social process that is beneficial to a wide segment of society. For example, clean air, public education, and conservation of national heritage are considered to be public goods. These different conceptions of public good stem from economists' assumption that there is something intrinsic in the structure of a thing that turns it into a public good, whereas culturalists understand public good to be generated contingently, by social, historical, and cultural processes.

In the end, both sides accept the usefulness of the other's definition as part of what informs the essentially public character of heritage and conservation decisions. Both definitions lead to the realization that some collective, institutional solution has to be sought in order to provide society with heritage goods. This understanding leads directly to the next acknowledged type of common ground, which relates to the political process.

The importance of politics and decision making

Economists and culturalists both understand the political process, and political modes of decision making in particular, as a very important subject of research. The two perspectives approach this interest differently: economists see politics as an arena in which certain allocation and investment decisions are made regarding public goods; culturalists embrace the political process as inescapable and, in some cases, see the political process as the end of conservation itself. Yet all agree that understanding decision-making processes is a key aspect of future research into the economics and values of heritage conservation. Likewise, many participants saw decision-making structures (for example, referenda, models in which stakeholders are broadly defined and routinely consulted, mediation, and others) as a beneficiary of creative thinking in all fields concerned with conservation.⁸

The concept of cultural capital

Cultural capital was offered as a concept useful for understanding the position of heritage as an economic phenomenon whose full value cannot be captured by traditional economic categories and tools. Placed alongside other types of capital⁹—physical (buildings, roads, etc.), natural (environmental resources and systems), and human capital—it was proposed that the addition of cultural capital would improve this way of thinking. (In this framework, material cultural heritage is a subset of cultural capital.) Natural capital, especially, seems quite analogous to cultural capital.¹⁰ An interesting twist offered on the cultural capital notion was viewing heritage as an asset that appreciates over time, requires investment, incurs risk, and so on. This thinking positions heritage as a serious subject of investment thinking and consideration, a reframing that potentially could yield some very creative thinking about the financing of conservation. The capital-asset framework might also suggest ways to measure resources and investments—indeed, the subject of indicators (other than price) to measure heritage and conservation was raised several times in the course of the meeting. There are several interesting avenues of research to pursue under the umbrella of heritage as cultural capital.

Sustainability

Sustainability is a term of great potential for bringing conservation and economic development into a balanced and constructive relationship. The term stems from environmentalists' critiques of development as a short-sighted and socially destructive force. It represents efforts to create a new kind of development that sustains the natural environment instead of depleting it. Instead of battling between conservation and development, sustainability represents the hope of finding different ways to make decisions, measure results, and ascribe value—all in the service of achieving a healthy balance for this and future generations. As a concept—and increasingly as a set of practices and policies—sustainability has gained wide acceptance.

Just as cultural capital is parallel to the accepted notion of natural capital, the concept of sustainability was seen as applicable to the cultural heritage

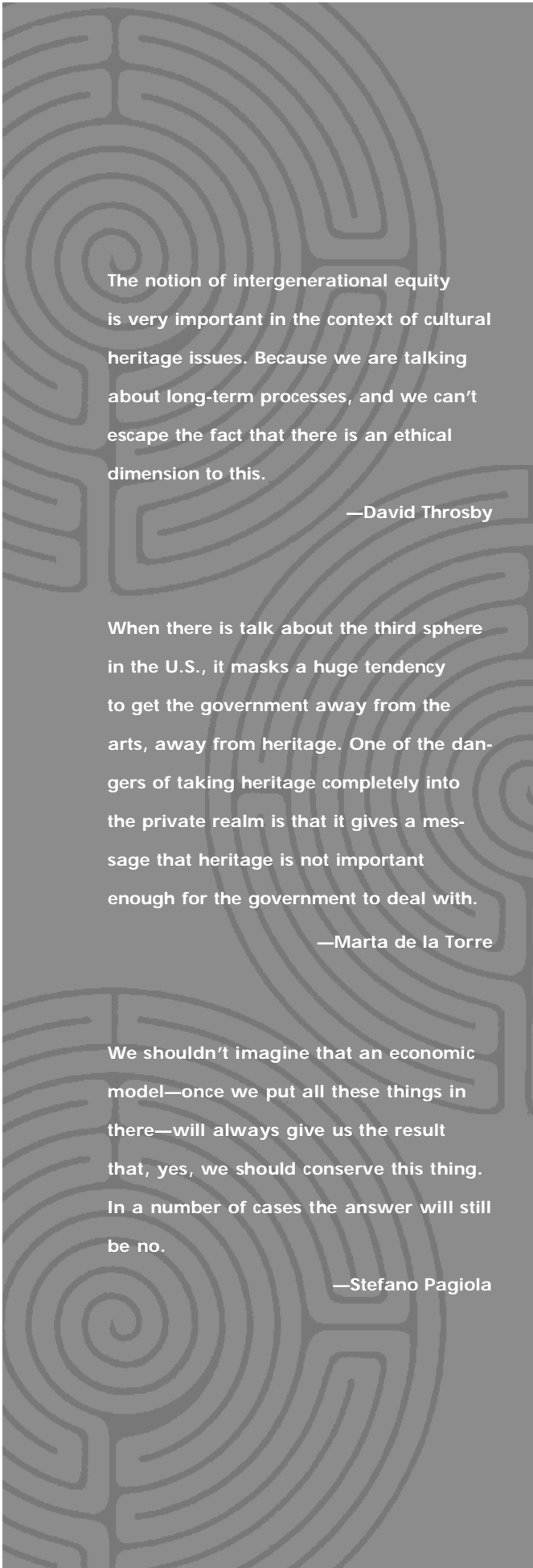
field. But how, exactly? Which principles and analytics from environmental sustainability are appropriate for cultural heritage conservation? Under the rubric of sustainability, a number of specific concerns and questions can be pursued for heritage conservation: intergenerational equity and the stewarding of heritage for future generations, creation of indicators that measure a wider range of factors than just growth and output, better understanding of the processes underpinning conservation as well as the (development) processes that threaten it, and, in general, a clearer understanding of what the heritage conservation field can learn from the experience of the environmental conservation field.¹¹

The role of the third sphere

At the suggestion of Klamer, participants considered the unique role of the third sphere as the locus of nonmarket, nongovernmental, economic activities of great significance to heritage conservation. In the worldview of civil society, decisions and discussions not taken in the market and government spheres can flourish in the third sphere. Third-sphere activities have been extremely important and influential in advancing the environmental field, for example, and a number of parallels have been drawn between environmental and heritage conservation. Economists embrace the third sphere as the institutional setting for different kinds of transactions—*gifts*, as Klamer described them broadly—distinct from market transactions and modes of governmental action such as grants, incentives, and regulations. In short, the three spheres model, as Klamer outlines it, seems to admit both economic and cultural analyses equally and thus holds promise as a concept in which the full range of heritage values can be brought into a useful framework, as well as a concept that can illuminate conservation decisions. While the third sphere was recognized as a topic of great importance, several participants noted that such emphasis on the third sphere should not distract from—or be seen as replacing—the traditionally quite strong role of governments in heritage conservation.

Differences

Some major differences between economist and culturalist perspectives also surfaced. Apart from the



The notion of intergenerational equity is very important in the context of cultural heritage issues. Because we are talking about long-term processes, and we can't escape the fact that there is an ethical dimension to this.

—David Throsby

When there is talk about the third sphere in the U.S., it masks a huge tendency to get the government away from the arts, away from heritage. One of the dangers of taking heritage completely into the private realm is that it gives a message that heritage is not important enough for the government to deal with.

—Marta de la Torre

We shouldn't imagine that an economic model—once we put all these things in there—will always give us the result that, yes, we should conserve this thing. In a number of cases the answer will still be no.

—Stefano Pagiola

different subjects, methods, and disciplinary histories that characterize the two sides, an interesting and important difference arose when there was an attempt to impose the “economist-culturalist” framework on the meeting and its participants. Whereas economics has a clear center, there is no equivalent foundation for the culturalist field, particularly as it relates to heritage conservation. Several factors help explain this.

The center of the economics field was explained at length in Klamer’s background paper. It revolves around a clear set of material issues in society (economic production, consumption), common vocabularies and methodologies for understanding them (especially mathematics), and certain shared assumptions (the efficiency of markets, government action as the primary alternative to markets), all of which have evolved over generations of professional self-awareness.

The culturalist perspective, however, has no such center, and in the opinion of some participants, it should not be expected to have one. Certain lines of argument, shared bodies of theory, and shared methodology do exist among the varied culturalist disciplines and do form a solid basis for collaboration—though perhaps not a basis for collapsing the differences under a single, culturalist category. Nevertheless, there is no single culturalist perspective. A number of factors explain this: the necessarily multidisciplinary nature of conservation (which clearly stretches even beyond culturalist fields to the sciences, professions such as architecture, and the art world); the varied professional traditions within the social sciences and humanities, which focus on different aspects of social and human life and have developed specialized practices, tools, vocabularies, traditions, and so on, in order to address these effectively; and, finally, the fact that no coherent body of theoretical and scientific work has been created regarding conservation and its role in society. The comparison between economics and cultural approaches to heritage highlighted this lack and helped conservation-field representatives realize this absence in the field. It was recognized that an effort to create such a framework—one that doesn’t impose norms or standards but, rather, preserves the diversity of approaches within the culturalist

sphere—as well as to create a corresponding, articulate account of conservation’s role in society would be helpful.¹² This conceptual framework would be effective for organizing existing knowledge and identifying research needs; it was suggested that the framework would also serve to articulate the conservation field’s vision for its impact on society.

OUTCOME 3: A research agenda for going forward: What kinds of studies do we need? How will we use them?

Drawing on the areas of common ground identified above, participants called for empirical research grounded in examples and cases, as well as for further conceptual research on selected topics. For example, the idea of cultural capital, as well as how the notion of sustainability applies to conservation, need developing as concepts before they can really illuminate issues for the heritage conservation field. This research, it was felt, is best undertaken in concert with case studies or other empirical research.

It was universally recognized that case studies of some sort will be needed to advance knowledge on subjects that link economic and cultural perspectives on conservation decision making. There are many ways to design case-based research and learning. While there was no consensus on precisely what kinds of cases would serve GCI research best, a number of different models were offered as possibilities. One of the immediate outcomes of the meeting will be a structured consideration of how to approach and commission case histories as part of GCI’s research. Building on the set of ideas that surfaced in the meeting and that are abstracted here, GCI will formulate a more specific model for consideration by the Institute and its collaborators on economics research.

OUTCOME 4: A report disseminating the results of this meeting.

This report is the primary means of disseminating the results of the meeting. This document and other products of GCI’s research, meetings, and collaboration will also be posted on GCI’s Web site in the near future.

Research Agenda

Based on the meeting discussions and on their own research and experience, participants were asked to brainstorm elements of a future research agenda on the economics of conservation. The ideas raised included both conceptual and empirical investigations, as well as research activities that incorporate both levels of inquiry. The aim was not solely to map a research agenda for GCI to undertake but to identify the most promising and important issues in the field. GCI will take some of these activities forward, in collaboration with other scholars and organizations; some of the other identified issues might well be taken up by other scholars, research organizations, and conservation groups.

A number of specific models, concepts, methodologies, and cases were discussed, ranging from ethnographic studies to econometric analyses. Should one start with specific issues and problems? Or with concepts? The consensus was that research needed to proceed from both of these bases and then be integrated. It was agreed that the interplay between conceptual and empirical studies—abstract models and specific cases—would be critical to making progress and putting knowledge into action. These two levels of research should continue to inform one another.

EVALUATING CULTURAL VALUES

What is needed, overall, is a set of analytical tools to evaluate projects which responds to both cultural and economic values and benefits. The economics field has developed a series of tools to evaluate the values and benefits of heritage conservation (such as contingent valuation and willingness-to-pay studies); the cultural disciplines and conservation professionals were challenged to elaborate on existing tools and devise additional tools to evaluate noneconomic, cultural values. It was observed that the culturalist fields lack a unifying body of theory regarding values or the role of conservation in society.

The GCI, through its continuing research on economics, intends to incorporate both kinds of value into analytical approaches that can be applied to empirical cases. The first specific research topic

Preservationists now think that the arguments they used to invoke to win support for preservation and conservation projects are no longer effective—talk about generations, about stewardship, about history and culture as a rich discourse. They feel what they need to do now is talk about jobs, taxes, and tourist revenue. The difficulty is that this has led to atrophy of all the other arguments. We're now at a point where the economic argument is the only one being employed in the public realm.

—Daniel Bluestone

Can we transfer models from nature conservation to the cultural field? There's still a lot of insight to be gained from doing that in a systematic way.

—Michael Hutter

Most of what conservationists and preservationists deal with is not movable, it is site-specific. We need to focus more on these places that are embedded in a complex set of economic relations and connections to local populations.

—Daniel Bluestone

the GCI will take up on the heels of the December meeting is the idea of sustainability. The concept of sustainability, and the related notion of cultural capital, will be developed conceptually with regard to conservation specifically, and a methodology for evaluation will be formulated and applied to a few cases.

CASE STUDIES

The need for empirical, descriptive research was emphasized over and over by many of the meeting participants. This type of research was most often described as case studies, though ideas regarding specific methodologies and formats were varied. What are not envisioned are case studies that follow the pedagogical model used by law and business schools. More to the point of this research would be case histories, or real scenarios, in which the unfolding of a particular situation or case is documented (ethnographically) and then analyzed.

Strong recommendations were heard for establishing a clear methodology and set of research questions before any case investigations are embarked upon. The questions, concepts, methodologies, and overall expectations need to be clarified before case studies are chosen and begun, though a certain openness and flexibility should be maintained throughout the process. Several criteria were suggested in the meeting discussions; most important among them was ensuring transferability of lessons from particular cases to general, conceptual issues.

The analysis must be prefaced—before cases are even begun—with a clear set of research questions. These include: what aspects of a conservation issue or project will be studied? Some census and analysis of the different values? The different stakeholders? Some analysis of decision making? Some type of economic data collection and traditional economic analysis? From the set of possibilities, a focused set of research questions will be formulated as a first step in subsequent stages of research.

A number of concrete methodologies were suggested. It was suggested that cases should address decision-making processes (the black box within which analytically incommensurable values are evaluated in practice). It was also suggested that some

cases should focus on landscape-scale conservation issues, in order to further understanding of the issues particular to immovable heritage and its embeddedness in places and communities. One approach was layering different methodologies for assessing value (economic and cultural), in order to capture all the values that attend to and shape heritage conservation. This approach would involve a multidisciplinary team of investigators—from economic, cultural, and conservation fields—working together. A second approach centered on developing one or a few “bridge” concepts (e.g., sustainability, cultural capital, negotiation models for decision making) and assembling an interdisciplinary team to work out a methodology, then apply it to specific projects.

To support any of these case approaches, it was noted that some literature review or bibliographical research would be called for (e.g., on the literature concerning the role of nonprofit institutions, multi-stakeholder decision making models, and applications of the ideas of social capital and natural capital).

ANALOGIES TO ENVIRONMENTAL CONSERVATION

At many points in the meeting, direct analogy was made between heritage conservation and environmental conservation. The general feeling is that many of the concepts, tools, and methods applied to environmental conservation can be useful in heritage conservation, including the economic analyses developed in the ecological economics subfield, as well as some of the policy devices created for conserving the natural environment (e.g., debt swap or land conservancies).

This issue is of very broad importance to heritage conservation. Whether one approaches heritage conservation as an economist, as an anthropologist, or as a policy maker, the achievements of environmentalists—intellectually and practically—present themselves as models. These analogies must be approached with caution, however.

Whereas the environmental issues and interventions are developed on the strong basis of ecological science, heritage issues have no such theoretical model on which to rely. It cannot be assumed that culture can be understood in strictly “ecological”

terms—rather, one needs to refer to economic, cultural, political, and social theory to understand the “ecology” of heritage and how its conservation operates in the context of society at large. The work of synthesizing theory from these several social science fields has yet to be done, though the need for such synthesis (or at least a compendium of different, appropriate methods) was widely acknowledged in the course of the meeting.

The potential borrowings from the environmental field first have to be understood at a conceptual level, without the assumption that environmentalist successes can simply be replicated for heritage. In short, what are the limits to the applicability of ecological thinking to the heritage conservation field? Once these limits are understood, more specific concepts and tools can be studied, ideally in conjunction with research on such topics as sustainability and cultural capital, where one of the essential research tasks will be to evaluate the applicability of these environmental concepts to the cultural field.

TRADITIONAL ECONOMIC TOOLS

Regarding the established economic methods that were outlined in the background paper, it was argued that contingent valuation and willingness-to-pay studies are promising and not fully developed tools (see “The Values of Cultural Heritage,” herein). These methods are strengthened when the institutional arrangements in which the analysis is undertaken are taken well into account, and when there is full consideration of the many stakeholders involved (including governments, interest groups, businesses, and taxpayers) and the differences between them. Further application of these methods, in a broader range of circumstances, was seen as a useful contribution (though not as a high priority—these methods are being employed by quite a number of economists). By contrast, it was widely agreed that impact studies are significantly flawed because of their inability to account for opportunity costs and for the variety of values ascribed to heritage.

EDUCATIONAL INITIATIVES

One of the keys to the success of these research activities—both in the content of the ideas and in

There has been this whole language of conflict—the cultural view versus the economic view. The economic model compared to some alternative model. I’m not sure just how useful that is. I’d much rather think of this in an alternative metaphor of a team. And to be successful in conservation, we’re going to need a team, which includes all kinds of specialties.

—Stefano Pagiola

If you are really a conventional economist, then it will be very hard for you to consider the concerns raised by cultural specialists. That’s the reason why we’re now trying to play with notions of cultural capital and the third sphere and the discussion of values.

—Arjo Klamer

And any conservator that takes a very hard, traditional line will not be able to play on these kinds of teams either. Because what we’re doing around this table is reexamining how we in conservation think, and how we approach things. This flexibility and willingness to raise questions might not necessarily change our practice immediately, but it is necessary to open the mind to other alternatives.

—Marta de la Torre

the dissemination of them—is building a network of scholars, practitioners, and policy makers with an interest in the economics of conservation. The meeting already has benefited greatly from an open-minded, interdisciplinary exchange of ideas. As research goes forward and becomes more concrete, this collaboration must proceed apace. The GCI is committed to disseminating its work to the conservation field through a variety of venues, including conferences and meetings, Web sites, printed materials such as its newsletter, *AATA*, and field projects. To reach scholars working in the variety of disciplines that touch upon heritage conservation, new means of outreach should be investigated.

Two specific ideas raised in the meeting include the creation of a listserv as a means of disseminating information on a quick and informal basis among a wide community, as well as initiating a consortium of scholars and doctoral students with an interest in these ideas. The latter idea is one perhaps best taken up and managed by scholars themselves, perhaps through the listserv. GCI participation would be minimal in this, though the expanded group of scholars and researchers would remain one of the important audiences and resources for the GCI's ongoing research in this area.

Notes

1. For a list of those who attended, see "Meeting Participants."
2. These few categories represent the major types of heritage values, but in any particular case, the values articulated by stakeholders are bound to be very diverse and not necessarily easily categorized. In the interest of brevity, this report routinely refers to economic and cultural values as two broad and distinct metacategories of value.
3. Otherwise called the third sector, nonprofit sector, civic sphere, or voluntary sphere.
4. The extreme of the traditional approach is represented by the arguments of economist Gary Becker and others to the effect that virtually all aspects of human behavior can be incorporated into a model of rational economic decision making.
5. Participants largely avoided the pitfall of engaging in ideological debates. One of the constant subtexts of the discussions, however, was the difficulty in separating purely economic

concerns (as defined by the economic science) from what is really political economy, or the economy as enacted in everyday society. Thus it is impossible (and even undesirable) to exclude ideological differences altogether from these discussions.

6. The distinction made here and elsewhere between cultural values, economic values, and social values is offered as an analytical convenience. The author does not mean to suggest that economic activity is somehow separate and distinct from culture, nor that society can be imagined without cultural or economic activity.
7. These are definitions of "pure" public goods, which are exceedingly rare. The qualities of nonexcludability and nonrivalry are present, in some measure, in all public goods.
8. Several participants are currently engaged in research on decision making and other policy topics.
9. The term *capital* as used here refers to real assets, not to financial capital.
10. One of the participants, David Throsby, is currently engaged in research on this topic and will shortly publish an article, "Cultural capital," in the *Journal of Cultural Economics*.
11. Heritage scholar David Lowenthal, on a recent visit to lecture at the Getty Center, emphasized the parallels between the fate of the environmental and the cultural heritage conservation fields. Many other scholars and practitioners have raised the same questions, but little research has been undertaken on this subject, particularly on the limits of such comparisons.
12. An effort to create this type of framework is being considered as part of future GCI conservation research.

The Economics of Heritage Conservation: A Discussion

Daniel Bluestone, Arjo Klamer, David Throsby, Randall Mason

As part of a three-day GCI meeting on the economics of heritage conservation, held in December 1998 at the Getty Center, an open panel discussion was presented. Members of the public and Getty staff joined the meeting's participants to hear presentations by three scholars involved in the meeting.

The panel members included Daniel Bluestone, associate professor of architectural history and director of the Historic Preservation Program at the University of Virginia in Charlottesville; Arjo Klamer, professor of the economics of art and culture at Erasmus University in Rotterdam; and David Throsby, professor of economics at the School of Economics and Financial Studies, Macquarie University in Sydney.

Randall Mason, a senior project specialist at the GCI, moderated the discussion.

Randall Mason: The starting point of this inquiry is that economics can value some aspects of heritage and its conservation very well but does not address other aspects well at all. We've been focusing on the contributions that economic analysis can make to our understanding of conservation decisions. We've also been trying to identify the limits of economic analysis. With that acknowledgment, we've come together to try to build common ground between conservation professionals, scholars of culture, and economists.

David Throsby: We sometimes feel, when we speak as economists among people who are interested in art, that we're a bit like the specter at the feast. You can talk about art all you like, but at the end of the day, there's a grim economic reality out there, and we all have to come to terms with it.

One reason why economists find this subject of art and heritage interesting is that in the world at large, the economic agenda is taking precedence over just about everything else—that much in our daily lives is dictated by an economic agenda over which we feel we don't have a great deal of control

and that is asserting a set of values that we don't feel entirely comfortable with.

One thing that has led to the economic agenda's dominant role is the globalization of markets. The marketplace has become the thing that determines how resources are allocated, what gets produced, what gets consumed, and so on. And yet when we think about conservation, we think about things that have nothing to do with the market—historical value, the meaning of objects and sites to people, and even more spiritual things. These can't be captured by processes of monetary exchange. Economists have been trying to come to terms with the fact that a lot of what happens in the arts and cultural heritage exists outside of markets. One thing we've talked about in the last few days is the way we can conceptualize this.

Two things are quite intrinsic to the conceptualization of heritage from an economic point of view. The first is that we can see heritage items as being *capital assets*, as things we have inherited from the past and are going to transmit to the future. To use a term that is gaining wider acceptance, we can see them as *cultural capital*—that is, something we may inherit or that we may create by new investment, and that we have to maintain. If we don't maintain it, it decays. If we conceive of heritage as being cultural capital, then we may be able to think not only in economic terms but in cultural terms as well.

The second thing is the notion, closely linked to cultural capital, of *sustainability*. We can think of heritage in the same terms that we apply to the environment. We've come to understand the relationship between the economy and ecological systems by thinking about sustainable development. We inherit a stock of natural capital—the resources of the world, fresh air and water, and so on—and we pass it on to future generations.

We can think in these terms about cultural heritage. When everybody in this room is long dead,

the historic sites, the great artifacts, the great paintings will still exist. We have the responsibility to think about them in that long term. The notion of sustainability can encapsulate the way in which these things relate to the economy. The sort of development that rips out forests and pollutes the atmosphere is not sustainable in the long term. Behavior that treats cultural heritage in the same sort of exploitative way is also not sustainable in the long term.

Arjo Klamer : We economists have good reasons to be very content nowadays. Market ideologies are dominant. On the political left and right, people think in terms of markets to solve most of our problems. I find this happening with the cultural administrators, directors of theaters, of museums—they all go for the market strategy. This might be caused partly by a withdrawal of governments from financing cultural activities. The popular way of thinking is that if the government withdraws, then we have to have recourse to the markets. It's strange, then, to find myself as an economist actually opposing this economization of the world and having to point out its limitations.

Economic science has been affected by what one calls "modernist values." Just like a Mondrian painting, we think in terms of squares—square thinking, you could call it. We want to be very precise and mechanistic in thinking about the world. This tendency has led to the demoralization of the economic imagination. We have left values and morals out of our discipline. And this becomes a problem as economic values tend to crowd out the other values we adhere to.

As a society, we don't only work toward increasing our economic capital that generates economic values; we invest a great deal in social capital, which is the ability to associate with others, to form communities. And I would characterize cultural capital as the ability to inspire or to be inspired. It seems to be a critical attribute of the good life and the good society that we're able to do this.

Markets don't do well generating social values. It's an open question whether they can contribute to our cultural capital. Governments, of course, represent a very different sort of mechanism by which values are generated. Governments have proven to be maybe not so good at generating economic value

(although a great deal of economic value is generated through governments), but they are better at generating values that are part of the social and cultural capital—values like solidarity and justice. Governments are also effective at generating public goods that in some way are shared, are valued collectively, but cannot be provided by the market. A great deal of the provisioning of the cultural heritage—one kind of public good—is generated within governments.

But there is another sphere of activity that, in generating social values, is far more important than the market and governments combined. I call it the third sphere. Others talk about civil society, or the "third sector." It is a sphere of institutions like nonprofit organizations, clubs, and families. In the third sphere, the most important instrument of exchange is *the gift*—not the market transaction or government action—and gifts rely on the principle of *reciprocity*: a lot of values are exchanged in some way or another, only it's not set and determined what you get in return. The third sphere is critical in generating social capital, the sense of community and identity.

If you want people to take responsibility for cultural heritage, it may be necessary to seek ways of dealing with cultural heritage in the third sphere. You cannot rely only on governments.

Daniel Bluestone: I've been concerned with the way that market ideologies have become dominant in preservation and conservation. Arjo talked about the way in which the economic discourse has crowded out a discussion of cultural values. What has generated this is a rightward drift in our national politics. At the local and national levels, the sense is that the way to justify cultural and social values is to embrace an economic model and to insist that jobs, income, wealth, and taxes are all things that can be generated by historic preservation and conservation activity.

It's well worth having people in conservation be able to marshal economics as part of an argument. But my concern is that the economic arguments are articulated in a way that begins to atrophy the other arguments for conservation. Other arguments—based on social and cultural values—are left imprecise and inarticulate in the rush for precision in calculating the economic impact of preservation or

conservation.

It is difficult for the economic models to take hold of the sobering reality that traditionally the market has been a destroyer of value of historic sites more than a savior of them. The language of the market being the savior is actually a radical turn from a much longer discourse that has the market as a destroyer.

The preservation and conservation field tends to be imprecise in its arguments because, for a long time, we assumed that there was total agreement on the values and benefits of our work. We adopted a somewhat high-style, canonical approach to cultural benefits. But this sense of a shared appreciation based on art-historical values has fractured in the last fifteen to twenty years. We've broadened the definition of cultural heritage far beyond the standard art-historical understanding of beauty that has been the central paradigm for a very long time. As an alternative, I would propose that the sustainability model is terribly useful because it takes into account the way in which we're stewarding things received from the past.

Historic preservation, community preservation, cultural heritage, and conservation ought to be the keystone of sustainable development. The best thing we can do is figure out how to shepherd the resources in the built landscape that we already have and to figure out strategies for making those useful to ourselves and to future generations.

One thing that economics has helped us do through the model of sustainability is to ask not simply the current value but the value over a whole series of generations. So what we're interested in figuring out is how we might model this for heritage conservation, how we might be more articulate about what the values are, and in so doing be challenged (those of us in conservation) to be similarly precise about what it is that we value about heritage.

Audience member : You are interested in conservation and preservation. Seems to me, these are defensive steps. I also hear you talk about paintings, about culture, and this is something that is newly created. Are both of these part of "heritage"?

Bluestone: One of the insights that crystallized in this meeting—and it's been crystallized elsewhere in the literature—is that preservation and conservation are part of a process that doesn't cease with the

preservation and conservation of the site. It's just the latest step in caring for our cultural resources. These acts are really as creative and expressive of current cultural values as the work a painter does. I wouldn't want to pass conservation up as simply conservative or defensive. It's an extremely creative and, in some contexts, a provocative act.

Audience member : One consideration I wanted to interject is the function of the works of art that we talk about preserving. For me, the best example is Louis XIV creating Versailles and all else that he created. The creation of art has been about power and prestige. Bearing in mind that these works have always had a political function can inform considerations about how to exploit and preserve them today.

Bluestone: For a long time, conservationists haven't had to confront historical context. If the paint is coming off of the painting, we have strategies for dealing with that. If the mortar joints are deteriorating out of a monument, we can fix it. What you raise is our need as conservationists and preservationists to engage in an act of interpretation that surfaces in the relationship between the material world and art, and the people in the society around it. The reason to do that is not only to better understand the cultural heritage but to more fully understand our own participation in the world in which we live, and to empower our citizens with regard to the very same sets of relations.

Audience member : It seems to me that you're talking about two distinct issues. One of them is the economic; then you insert social or cultural capital. And you talk about sustainability. But these are black boxes, as far as I've heard so far.

Klamer : We are trying to expand the field of inquiry so that economists can participate with others from different fields to illuminate these black boxes. We economists are not equipped to figure out how cultural capital is generated or how social capital is generated. Anthropologists, art historians, historians, and sociologists have done a great deal more. We have to explore those dark boxes in order to come to a comprehensive picture that allows us to figure out how people decide what to add to the good life through conservation. Decisions about cultural heritage are part of that. But if you only focus on what we can already enlighten with economic

analysis, then you fall short. So agreed: black boxes—that is good for us. Because that means that's there's a lot of work to do.

Audience member : What are the ways to bring conservation back to the grass roots and to account for more than market values?

Throsby: One way is to involve the grass roots more in decision-making structures—having people who are genuine stakeholders in decision-making structures participate, rather than have some sort of external economic or investment agenda foisted upon them.

Klamer : Sometimes the best design has local citizens taking charge, and the best strategy might be for the government to withdraw and give way to local initiative. At least, that's what we observe to be how it usually works. But of course, as a policy maker, I imagine that's a hard strategy to follow.

Mason: I think we've performed a remarkable act by even having this meeting, where economists and anthropologists and people in conservation are sitting down and opening their minds to very different approaches to conservation. This interdisciplinary dialogue is essential to understanding the role of conservation in society generally and, as we've seen, to understanding how economics can shape conservation and the arts.

The Values of Cultural Heritage: Merging Economic and Cultural Appraisals

Arjo Klamer and Peter-Wim Zuidhof

Introduction

Who will contest the value of cultural heritage in general? How much are people willing to sacrifice to finance a particular object of cultural heritage? How then is the value of cultural heritage in the final instance realized? What is its price?

Leave it to economists to turn any discussion to the issue of price. It is no different in the discussion of the value of cultural heritage. Economists may want to know, for instance, why people value a particular object of cultural heritage and yet are unwilling to contribute to its conservation.

Quite another discussion turns to issues of identity, history, community, and all those values that come into play in the valuing of heritage—whether pyramids, old paintings, antique smokestacks, or living cultures. Allow us to call the art historians, archaeologists, and so many others who prefer to think about cultural heritage in these terms culturalists. Culturalists, as opposed to economists, are the people who come to the heritage from fields such as anthropology, sociology, history, and geography. On other occasions, they are referred to as humanists. While economists discuss the exchange and use value of objects of cultural heritage, culturalists will focus on their cultural and social values.¹

The discussions of economists and culturalists tend to be quite distinct, so much so that we are inclined to speak of two distinct discursive practices and, hence, two distinct cultures. It is as if economists and culturalists operate in two different worlds, with very little exchange between them. Frictions and frustrations are noticeable whenever the representatives of the two cultures try to talk with one another. We are reminded of the two cultures that C. P. Snow himself embodied and observed. He noticed difficulties in the integration of the culture of (natural) scientists with that of (literary) artists.

This paper is a first attempt to integrate economic practice into the general discourse on cultural heritage. Thus far, culturalists have dominated that discourse. Attempts of economists to contribute appear to have made little impact. The GCI's successful first meeting on the values of cultural heritage showed the difficulty of integrating economic arguments into the discussion. One reason for this difficulty may be a lack of familiarity with economics on the part of most culturalists. Another reason may be their resistance, or suspicion, toward the imperialistic inclinations of economics as a discipline and the particular, if not peculiar, vocabulary with which economists analyze everything human. In the first part of this paper, we attempt to make the application of this specialist vocabulary to heritage understandable.

The ultimate concern is that economists and economic practices insufficiently appreciate the wide range of values of cultural heritage. This, therefore, feeds the political resistance to providing the necessary finances for the preservation of cultural heritage, with the consequence that commercial activities take over. Economists, conversely, complain about culturalists who fail to acknowledge the economic realities regarding cultural heritage and efforts at conservation. Part II of this paper attempts to coax both sides into a common discourse. It attempts to show culturalists that common economic discourse has a great deal of value to offer to the subject of cultural heritage, while also acknowledging the limitations of the economist's gaze and tools. Similarly, the paper attempts to persuade economists of the necessity of taking into account the culturalist discourse concerning cultural heritage.

The first part of this paper deals with how the economy and economists appreciate the value of the heritage. It is thus concerned with valuation in the market economy and valuation by economists.

In the second part, we suggest that the economy and economists also engage in the valorization of the heritage.

As far as the strictly economic argument is concerned, this paper proposes that:

Scarcity matters: Preservation of certain structures or objects is costly because resources such as time, money, and effort are scarce. This context requires that choices be made.

The public nature of cultural heritage matters: Because many objects and structures of cultural heritage have the character of public goods, markets fail to realize their full value, and hence, a nonmarket arrangement of some kind or another is required. Cultural heritage is a public good in that no one can be excluded from enjoying it, and everyone can enjoy it at the same time.

Incentives matter: Government involvement and regulation need to take into account the incentives of those who pay and administer, as well as of those who enjoy the cultural heritage.

As far as the culturalist argument is concerned, this paper concludes that:

Values matter: The valuation of cultural heritage involves a wide range of values, of which economic values are only one dimension.

Culture matters: Valuation is context dependent, so it should not come as a surprise that certain cultural settings more than others appreciate certain objects and structures as cultural heritage and, as such, worthy of preservation. Because cultures evolve, the values of the heritage are in constant flux.

The paper finds common ground among economist and culturalist arguments insofar as:

Distinctive spheres of values matter: Due to the special values of cultural heritage as identified by culturalists, the handling of cultural heritage has stimulated a variety of economic solutions, varying from government involvement to pure market solutions, and including all kinds of informal arrangements based on gifts and reciprocity.

The mode of financing matters: The mode of financing cultural heritage has consequences for the sphere of values involved. Financing is part of the valorization process. Voluntary contributions have somewhat different effects than outright government subsidies or income out of the sphere of the market. Policies on cultural heritage may need to take these differences into account.

The identification of stakeholders matters: Decisions and policies about cultural heritage need to be based on an assessment of the relevant stakeholders.

Economics matters: Economic factors play a role in the valuing of heritage and the practice of conservation as do art historians, connoisseurs, art managers, and policy makers. Just like art critics, presentations in museums, Unesco designations, and conservation projects, economic arrangements can modify how the heritage is perceived. To ignore economic aspects is to disregard one of the constitutive forces behind the heritage.

In Part I, we take stock of possibly useful contributions of economists to the discussion of cultural heritage. It attempts to be relevant to culturalists as well as to economists (who may find the survey wanting, but the aim, after all, is not to satisfy their needs). Part II attempts to expand the range of values to be considered. It points to a variety of possible financial arrangements and their impact on heritage and conservation. Throughout the paper, a number of specific cases are presented in separate boxes.

KINDS OF HERITAGE

Before we start our exploration of the economics of cultural heritage, we need to define the domain of the inquiry. Because cultural heritage is an umbrella term for a wide range of elements, confusion could easily ensue. In general, the term includes objects, structures, and other products of cultures and individuals that have been passed from previous generations to the present and are valued because they are representative of a particular culture and are, at least partly, valued because of their age. (As already noted, heritage is valued for these and many other reasons.) These objects of inheritance supposedly distinguish themselves from ordinary goods like cars, ice cream, houses, or rocks, because they are “cultural.” Presumably, the label cultural implies a specific valuation, indicating that the object has something distinctive and can be considered to be part of a certain tradition, group, community, region, nation, continent, or whatever, entity. To call an inheritance cultural furthermore implies that its valuation is a social activity rather than the act of a single individual. Whether you like chocolate ice cream or not is a matter of personal taste, but your aesthetic liking of Rembrandt’s *Nightwatch*, for instance, is irrelevant to its appreciation as part of Dutch cultural heritage.

Table 1 provides a general classification of cultural heritage, adding a few examples of each category. Although it is common to include intangibles such as languages and traditions as part of cultural heritage, we will focus here on tangible cultural heritage, both immovable and movable. This plan is in keeping with the mission of the Getty Conservation Institute. Because it reflects common practice among economists who deal with the heritage, the main focus of this paper will be on the immovables. (Even though the valuation of intangible cultural heritage may bear on the valuation of tangible objects of cultural interest, we will exclude them from the present paper.)

The tangible category comprises elements ranging widely; it includes monumental cathedrals like the one in Chartres, France; city mansions like Gaudi’s Casa Mila in Barcelona; the many country

houses all over England; the caves of Lascaux, with their painted walls; a sculpture like the Statue of Liberty in New York; underwater sites all over the world, where treasures reside in wrecks at the bottom of the sea; the ancient city center of Evora in Portugal; archaeological sites such as Pompeii in Italy; the Great Wall in China; the temple site in Palenque, Mexico; and the Borobudur in Indonesia. Such monumental heritage is outnumbered by a plethora of equally important vernacular and less well-known examples.

If one acknowledges that the heritage is a social activity, it should be noted that all these cited examples of cultural heritage did not become heritage instantaneously. Recognition as such usually involves a long process of deliberation and negotiation, involving both conscious decisions and cultural change. The listing of objects and structures as cultural heritage is critical. Listing (or designation) is managed by different kinds of authorities, at a range of geographical scales. Some cities keep a list of their local heritage. Most Western countries have a list of their cultural heritage. Unesco has drawn up the World Heritage List. In some countries, private organizations have their own lists, separate from the official one. Listing not only involves recognition but usually also enforces a regime of preservation, conservation, or restoration. (Economists can wonder what economic considerations play a role in the listing of an object or not, and what the economic consequences of listing are. Does listing imply additional costs for the owner? Or does it suggest that the object is considered a public good?)

Movable objects of cultural heritage pose a range of special challenges. They can be easily traded (and thus exported) or otherwise removed from the public domain. As a consequence, the potential for conflict between economic and culturalist considerations is greater (as with the myriad contemporary disputes over repatriation or illicit trade). Because these objects are considered cultural, the question arises as to whether their legal owners can do with them as they please. For example, one owner—the Japanese buyer of van Gogh’s *Dr. Gachet* (purchased at a record \$75 million)—even went so far as to express the wish that he be cremated with his precious possession.

Table 1. Classification of cultural heritage.

| | |
|--|---|
| <p>Tangible Heritage</p> <p>Immovable</p> <p>Movable</p> | <p>Built heritage Monuments: buildings, sculptures, inscriptions, cave dwellings (Listed) buildings: buildings in use Groups of buildings: city centers</p> <p>Sites (also underwater): archaeological, historical, ethnological</p> <p>Cultural landscapes</p> <p>Artifacts Paintings Sculptures Objects Collections</p> <p>Media Audiovisual media Books Plays Scores</p> <p>Consumer and industrial goods</p> |
| <p>Intangible Heritage</p> | <p>Art expressions: music, dance, literature, theater</p> <p>Martial arts</p> <p>Languages</p> <p>Living cultures</p> <p>(Oral) traditions</p> <p>Narratives</p> <p>Revolutions</p> <p>Networks</p> <p>Folklore</p> |

THE ECONOMIC APPROACH

Development of the Economic Discourse on Cultural Heritage

The economics of cultural heritage falls as a topic for research under the heading of cultural economics. Other topics in this special field in economics are the economics of the performing and visual arts and of cultural industries. Economic research into cultural heritage has picked up only recently—at least if we set aside for a moment the literature on the economics of museums and art markets. In museums and art markets, immovable cultural heritage has not been the primary focus of research.²

The economist Sir Alan Peacock was the pioneer with his 1978 article entitled “Preserving the Past”

(Peacock 1978). In the subsequent decade, some of the discussion died down, with the exception of a few articles (Vaughan 1984; Nijkamp 1991). The last few years have witnessed a flurry of activities in the form of a number of edited volumes, such as a report of an ICOMOS symposium (ICOMOS 1993), Hutter and Rizzo (1997), Schuster, Monchaux, and Riley (1997), Peacock (1998), and first drafts of a report, being prepared by ICOMOS, on the economics of the heritage (Droogenbroeck 1994). Throughout the text, we will discuss selected topics from these contributions.

Recent developments in the economics of cultural heritage have been informed by research in environmental economics. A number of analytical tools from this field have been borrowed for applica-

tion to the heritage. At times, however, it looks as if the interaction involves the transfer of an even larger framework. This factor is not widely acknowledged, but Mohr and Schmidt (1997) are a notable exception. When they discuss insights from environmental economics, they find that “These terms [for non-use value] can be instantaneously transposed to the realm of cultural heritage.” To make their case, they showed the ease which in the environmental economics literature, the word *natural* can be exchanged for *cultural* without a loss of meaning.

As this exercise makes clear, the implication is that our attitude toward cultural heritage resembles our attitude toward nature and its history. Apart from whether this alleged resemblance is justified, it may prevent one from treating cultural heritage in its own right. If we pursue this trajectory we may lose sight of distinctive characteristics of cultural heritage, such as its value for national identity. Thus, direct comparisons to environmental economics have to be handled carefully.

The Economic Approach

As mentioned above, economists have a particular language with which they try to make sense of things. They like to say that they have a box of tools that they use to analyze any subject, whether it is the choice to have children or the choice to preserve one object rather than another. This is not the place to open the entire toolbox, but a few pointers may help the reader who is unfamiliar with the language and tools of economists (for more, see Frey and Pommerehne 1989). The next few sections review a number of important concepts.

Consumer Sovereignty is the Key

“Consumption is the sole end of production,” wrote Adam Smith in *The Wealth of Nations* (1776). In the late nineteenth century, economists picked up on this cue of the father of their discipline and put the consumer center stage in their analysis. Their main character is that of the rational consumer who chooses freely from the products that the market has to offer. Consumer sovereignty is the concept that economists use to assert the autonomy of freely choosing consumers and their ultimate right to determine what is valuable (and thus worth the sacrifice of some of their resources) and what is not.

This bias toward the consumer clearly differs from the discourse of much culturalist work, in which the most important category is collective “culture.” When artists claim autonomy in their production of art, the economist will wonder how consumers value that production. Or in discussions about the value of the heritage for a country, the economist regards its value to individual citizens. Understanding this point goes a long way toward understanding the bias that economists introduce in their policy recommendations.

Related to the notion of consumer sovereignty is the standard decision to leave the determination of consumer tastes or preferences out of economic analysis. Conventional economic inquiry starts with the assumption that “tastes are given.” This would mean, in light of our present subject, that the values of heritage are taken as given. Nothing could differ more greatly from the insights of culturalist analysis. If pressed for a justification, the economic analyst will use the Latin formula *De gustibus non est disputandum* [There is no disputing taste], (Becker and Stigler 1977). As we will see later, we will have to violate this convention in order to seek openings for a fruitful exchange with the culturalist discourse.

Scarcity Matters

When given a chance, economists will point to the fact that resources are limited, and choices are, therefore, inevitable. Economic analysis focuses on the rational choices that agents (like consumers, producers, and workers) make in the face of scarcity. No matter how valuable the experts consider an object to be, preserving and conserving may be so costly that choosing to expend the scarce resources on alternative objects may be the rational thing to do. Surely, *The Nightwatch* is priceless, but even the Dutch might put it up for sale if starvation or some life-threatening disaster could be averted with the receipts of the sale. Often, in less developed countries, the issue of investing in survival needs is very pressing, and investment in heritage is therefore sacrificed.

The Market as the Most Efficient Allocator of Scarce Resources

Whereas most noneconomists are quick to defer to some kind of authority for decisions on who gets

scarce resources, economists have a professional faith in the objective, impersonal mechanism of the market. In their perspective, the forces of supply and demand bring about the most efficient solution to whatever scarcity problem exists. No intervention is needed.

Market outcomes are considered efficient when no other outcome can improve one party without making another worse off. The rationale is that markets provide incentives to actors to enhance efficiency. Heritage administrators have an incentive to 'sell' their monument in a way that suits their visitors best (posting signs, making it easily accessible, offering services), because otherwise visitors would go to another site.

One difficulty that economists encounter when they try to apply the logic of the market to cultural or artistic products is the definition of product. In the case of a museum, it is not clear, for example, whether we should consider visits, the number of exhibitions, or cultural experiences as products. We encounter a similar problem in the case of cultural heritage. As long as we do not know what the heritage product is (what is the product of, say, a pyramid?), it is impossible to determine what gets supplied and what gets demanded.

Price Is the Key

Whenever there is a disequilibrium (quantities demanded are unequal to quantities supplied), an adjustment in price will, in principle, bring about a new equilibrium. As an outcome of the market, price constitutes the objective value or the exchange value of a good. The subjective value—that is, the value that individuals attach to that good—will be different from the exchange value. Exchange value is the outcome of the market process that led these diverging, subjective values of demanders and suppliers to a single price. Generally, this exchange value, or price, is what we understand by economic value or market value.

The auction is a good illustration of market values and prices. Bidders differ in their subjective valuation of a piece. Private collectors want to complete their collections, or consider the artwork to be a reliable investment, or simply want to hang the painting in their houses. Curators want to acquire a piece for their museums or research projects because of its

art-historic value; national authorities want to keep a piece in their country. By the raising of hands, these various subjective valuations are negotiated. The price finally expresses the "objective" (i.e., collective) value of the object.

Classification of Research in the Economics of Cultural Heritage

In general, economic research on cultural heritage is organized around four distinct but interrelated topics, each of which will be discussed below. The four topics are:

- Market failure
- Value of cultural heritage
- Who pays, who benefits, and who cares?, and
- Institutional solutions.

MARKET FAILURE

An important part of economic discourse, certainly when cultural products are the subject, deals with possible market failures. Market failure is the inability of a market to provide goods in a satisfactory way. Markets are unsatisfactory when they do not lead to efficient outcomes or when outcomes are undesirable. Because economic frameworks rely on the idea of well-functioning markets, market failures give economists a great deal to think about and are often the motivation for policy actions.

In standard economic environments, such as the market for cars, the most important reason for market failure is the existence of monopolies. In the context of cultural heritage, the most important causes of market failure are the occurrence of public or collective goods and externalities.

Public Goods and Externalities

Public goods are goods that many people value but that may not be provided in normal markets because they cannot be properly priced. This occurs when no one can be excluded from the consumption of a good, and, if it is consumed by an individual, others cannot be prevented from consuming it as well. A national monument on the central square of the capital is a public good, because everyone can admire it and no one can be excluded from doing so.

The enjoyment of one does not come at the expense of another (as is the case with purely private goods, like an ice cream cone).

Externalities are benefits, or costs, of an economic good that are not accounted for by some kind of market transaction. Defined as external to the workings of the market, such effects can be positive or negative. Many people benefit from the preservation program for a beautiful country house without contributing a penny. Their enjoyment is called an externality of investment in the house: it is not priced in a market. Another example is an increasing demand for nearby hotel rooms by visitors coming to see the house. Conversely, this investment can generate a negative externality by attracting hordes of tourists whose cars spoil the lawns of neighbors without bringing them any financial compensation.

In such a case, the neighbors will ask for government regulation to prohibit trespassing on their lawns. But how will the owner get compensation for the positive externalities that were generated by his/her investment in the country house? Economists like to look for creative solutions to such questions, such as levying a tourist or "preservation" tax on hotel revenues. Economists are reluctant to look too quickly for outright governmental solutions in the form of regulations and government spending. The argument is that no one knows better how individuals value objects than those individuals themselves (recall the assumption of consumer sovereignty).

Along with the public-good status of cultural heritage, externalities are a major concern of economists. Koboldt (1997) distinguishes between "production externalities" and "consumption externalities." When a site draws large crowds, local retailers, restaurants, and hotels will benefit greatly. The tourist expenditures are production externalities of that site. The jobs that they generated are as well. Consumption externalities include benefits in terms of a strengthened national identity, educational benefits, and benefits for future generations. The question is how the owner of the site can realize those benefits—that is, how the owner can internalize the externalities of the site. Related to this is the question of whether the government can bring about the internalization of externalities so as to improve incentives for the conservation of cultural heritage.

In the economic literature, the public-good char-

acter of cultural heritage is a foregone conclusion (Peacock 1978, Peacock 1994, Masetto 1994, Benhamou 1996, 1997; Hutter and Rizzo 1997). The question remains, however, exactly how "public" particular objects are. Public goods are often to some degree private, and there are many aspects of "publicness" that can make goods qualify as public. Even so, monuments and sites can be fenced in to allow only paying consumers. The same restrictions can apply to movable heritage, which can be held in museums charging admission, in libraries, or in private collections. It is more difficult to privatize the public good of intangible or nonmaterial heritage, but even in these cases, barriers for consumption are conceivable (think of private education of art and culture).

Peacock (1994) notes furthermore that heritage is often not produced in response to some consumer demand but comes about as a by-product of other products. City centers, shipwrecks, and archaeological sites are not part of a cultural heritage by design, but they emerge as heritage because art historians, policy makers, scientists, and the like have called attention to their value as such. It would be difficult to speak here of a market with a supply of, and demand for, cultural heritage. The heritage was not produced to satisfy existing tastes; instead, in the past, buildings, city centers, plays, and oral traditions were created for their own reasons.

Three Dilemmas

In addition to posing problems as a public good, cultural heritage and its conservation present a distinctive problem vis-à-vis generations: not only do they generate benefits for people now but they also do so for future generations. As Peacock (1994) has noted, heritage presents "a future for the past." The question, then, is how we account for those future benefits in the present.

Masetto (1994) identifies three dilemmas that are related to this problem. These are the "dying-arts dilemma," the "future-generations dilemma," and the "optional consumer dilemma." The dying-arts dilemma is defined by the question "How can we judge the opportunity costs³ of investing resources in preservation of an art form which is otherwise bound to die [or of investing to prevent the disappearance of objects]" (Masetto 1994:89). Decisions

about investing in heritage are often irreversible. Benhamou (1997) points out that owners of objects or structures that might qualify as cultural heritage cannot know for certain whether preservation will prove worth the costs in the future. It is difficult to judge whether decaying objects or structures will be felt as a loss in the future: one cannot foresee regret. Consulting with experts—as is a common practice for dealing with this lack of knowledge—is a second-best option. For economists, adhering to consumer sovereignty and letting consumers decide for themselves is the best option.

The future-generations dilemma and the optional-consumer dilemma are slight modifications of the dying-arts dilemma. Because future generations do not yet exist, it is hard to anticipate how they will perceive the preserved heritage. Optional consumers may not wish to express their utility of the heritage objects now, but they may want do so in the near future.

In short, the decision to invest in the preservation of a particular object or structure involves a great deal of uncertainty as to the benefits, both in the present and in the future. The decision not to invest is irreversible, however, because the object or structure may be lost forever. Market solutions may be biased toward such irreversible decisions, and great regret is possible later. Those responsible for the cultural heritage of a certain community might be less concerned with market pressures and be risk averse; hence, they might overinvest in cultural heritage. To be realistic, however, it might be too simplistic to depict the heritage as dying. In practice, situations do not always present clear invest/don't-invest options. Deterioration and adaptive reuse are often the reality. Decisions are often made for interim measures and partial conservation treatments, thus deferring the ultimate investment decision.

Normative Instances of Market Failure

The forms of market failure that we have identified up to now are objective, in the sense that we simply observe that certain goods of value are not provided by markets. Another category of market failure—"normative" market failure—represents what "should be" as opposed to "what is." In other words, given our expectations of how many heritage goods should be provided to society and given the inability

of markets to provide or distribute them, the failure is described as normative.

Normative failures of markets are faults that policy makers and culturalists attribute to market outcomes or market processes. They may, for example, judge market outcomes to be unjust, or they may find market arrangements for the provision of certain goods inappropriate or even immoral. When the market outcome for the provision of cultural heritage implies that lower-income users will be prevented from enjoying the benefits because they cannot pay the entry fee, we can say that the market fails to be just. When this is so, some action or another may follow, like appropriation by a governmental agency, a subsidy for conservation, or a regulation enforcing easy and inexpensive entry. (Many countries actually do stipulate regular openings of monuments in private hands.)

When markets fail to protect cultural heritage for generations to come (as opposed to supplying present needs), we may think of another kind of failure. In this regard, Throsby speaks of the norm of intergenerational equity (1995).

Another normative failure of the market occurs when certain people observe that it fails to provide goods that they consider highly valuable. Think of a museum or historical site. Some people may highly value regular educational programs in their town for all kinds of reasons; yet, if left to the market, there might be no chance for such exhibitions to take place. Economists call such a good a merit good. Merit goods are goods that are deemed to be intrinsically good, but if left to the market, they would be underproduced. Note that the merit of educational heritage visits is judged by certain people and may not be recognized by others. In the field of heritage, such judgments often come from government commissions and experts. The policy question here is whether political power can be wielded to influence the government to help realize production of merit goods.

The norms that motivate the observation of market failures may change through time and across groups. As Peacock (1978, 1997) relates, the gaze of an outsider may distinguish in an old Italian square a site of cultural heritage, whereas those living around the square see a modern design in its stead. The reasons behind conservation change over time and dif-

fer from group to group. The norms are therefore social and cultural. At times, interest in cultural heritage may have simply been that of preservation; nowadays, attention for objects of cultural heritage appears to be motivated by concerns about national or local identity (Klamer 1997) or by the professional interests of art historians, archaeologists, and other conservation professionals. Because of changing valuations and norms, Hutter and Rizzo (1977) propose to think of cultural heritage as a nomadic term.⁴

The nomadic character of the definition of cultural heritage accounts for the deliberations and conflicts that so often accompany its identification, preservation, and exploitation. A good example of nomadic character is the controversy that arose in response to the planned construction of a high-rise building on top of the Grand Central Station in New York (see Costonis 1997). The authorities prevented the construction on the grounds that the station was a special site, part of the city's cultural heritage, and would lose part of its value as such with a building looming over it. The corporate owner of the building argued that its property and development rights were violated by the restriction. "As a matter of basic fairness, the owners wondered why they, alone among contiguous site owners, should have been singled out to provide the claimed public benefits at severe costs to themselves" (Costonis 1997:83). Economic values clashed with cultural ones.

Thus far, we have noted failures of markets to provide public and merit goods and to live up to norms of fairness. But even where markets may work, they may be considered inappropriate. Markets for babies might work, but in most countries they are outlawed on the grounds that trading human beings is immoral. Likewise, love, truth, and beauty are values that many societies prefer to generate outside market situations. Cultural heritage might be judged to be of a similar kind.

VALUE OF CULTURAL HERITAGE

If markets fail to determine the value of heritage goods, the value of cultural heritage has to be established in another way. As economists will never tire of pointing out, resources are limited, and choices

are inevitable. This certainly is the case when the preservation of heritage goods is at issue. In order to make rational choices, policy makers need to evaluate alternative uses of their scarce resources. Economists have developed various techniques for such an evaluation. As Frey (1997a) points out, the intent is invariably the appraisal of the satisfaction that actual or potential consumers derive from the heritage goods (in accordance with the norm of consumer sovereignty). Thus, these economic techniques are meant to deal with valuation and not valorization—to recall a distinction made earlier. Valuation involves the assessment of values that people actually attach to heritage goods, whereas valorization is the (re)appraisal of the heritage goods by means of deliberations, pleas by art historians, debates in public media, and so forth. In the process of valorization, people may learn the values of the heritage goods (which economic studies may subsequently register in their valuation).

Frey and Pommerehne (1989) distinguish various values that individuals may attach to heritage goods. Option value is the (imaginary) satisfaction someone experiences of having the opportunity to use or enjoy a particular piece of heritage. Existence value amounts to the value contained in the enjoyment of the mere existence of a heritage good—not of enjoyment of its presence or actual use of it. The bequest value is the value that future generations derive from a heritage good, and the prestige value is as its says: the prestige that a community or person derives from having a particular heritage good. Finally, the education value captures all benefits that heritage generates in terms of education.

The basic technique for economic valuation is cost-benefit analysis. The strategy here is to isolate particular values; find some way to operationalize their measurement by means of proxies, simulation, or surveys; and, finally, to derive a value composite. The measurement compels the reduction of complex values to the common denominator of money.

The following sections discuss four different analytical tools used to measure the economic value of heritage. Most of these tools were developed to assess values vis-à-vis the natural environment. So-called willingness-to-pay (WTP) studies and impact studies try to measure the values that people reveal in their actual behavior. Economists have a predilec-

tion for these studies (Diamond and Hausman 1992:6), but because in many cases there is no behavior to observe, economists may take recourse to conducting studies by asking people about hypothetical situations; such methods are called contingent valuation (CV) methods and direct referenda. Contingent valuation studies are the most popular nowadays.

Willingness-to-Pay Studies

Although the concept of willingness-to-pay can apply to the study of actual as well as hypothetical behavior, we use it to denote the former use. The obvious way people show their willingness-to-pay for the heritage is through paying admission fees for access to heritage. A problem emerges when no fee is or can be charged. Thus, methods are needed to measure these WTPs in a roundabout way. Cropper and Oates (1992) distinguish three types of WTP studies, summarized briefly below.⁵ Each is a distinct way to measure the value that people implicitly reveal for the heritage. People reveal their preference for the heritage by their behavior when they turn away from it (averting behavior) or through the purchase of complementary goods (weak complementarity approach). In a third instance, the value of the heritage shows through the prices that are paid for other goods (hedonic pricing).

Because people usually do not have to pay the full price (reflecting all costs) to enjoy a heritage good, they do not reveal their (subjective) valuation of that good. An indirect approach for registering such a valuation is to determine the value of alternatives that people would turn to in case the heritage good were to cease to be accessible. People could decide to go to an amusement park instead of visiting a heritage site. The admission fee for the amusement park is then a proxy for the subjective value of the heritage site.

This approach is particularly useful for assessing value losses, caused by deterioration, erosion, or congestion. Otherwise, this method is only possible in special circumstances. (The Chinese authorities could, for instance, close the Great Wall in order to study what visitors would do instead.)

If people do not pay directly for access to heritage, they at least pay indirectly when they want to enjoy it. The amount people are willing to spend on complementary goods is an approximation of the

value of the heritage good itself. Complementary goods are goods that are consumed jointly or together with the heritage. Most of these complementary goods have to do with gaining access to the heritage. Economists thus measure travel costs, the opportunity costs of travel time, and other costs that people incur in order to get to the site.⁶ For example, Americans who want to view their Irish roots in order to understand part of their cultural background spend a lot of resources to do so. These expenditures are good proxies for the value they attach to their heritage. Other complementary goods are additional costs for food, the hiring of guides, and the purchase of background readings. These expenses may also include donations in support of that particular site and government subsidies to which taxpayers agree (through their representatives).

Hedonic pricing methods assume that one good is a compound of a number of subgoods or attributes. The price paid for the good then applies to the total range of these different goods or attributes, but it could, in principle, be split into prices for the various attributes. If one purchases a historic building, the price one pays is composed of a price for the building and a price for its attributes, such as location or the fact that it is listed.

Following the hedonic pricing method, one compares the prices of buildings that are listed with those that are not (and which do not differ with regard to other attributes). The difference in price then indicates the value people attach to the heritage. In case one wants to see whether people attach a value to the cultural heritage in a particular city, one could measure differences between the wages paid for the same jobs (under the same conditions) in another city. The difference then indicates how much people are willing to expend for living in a city where there is more cultural heritage.

Impact Studies

Impact studies measure the economic significance of a heritage good, in terms of the income that it generates directly and indirectly (people who receive an income thanks to the heritage good generate income for others by spending theirs). Even though these studies do not directly measure the (subjective) value of heritage, they have been quite popular

among policy makers and advocates of subsidies during the last twenty years or so, because they appear to indicate that expenditures on heritage goods have economic returns (Box 1; see also, for example, Vaughan 1984; Myerscough 1988; van Puffelen 1987).

Measuring the direct impact is straightforward, as all the investigator needs to do is add all income of those who are directly employed in providing, conserving, and restoring the heritage good. Measuring the indirect impact is more difficult. The researcher needs input-output tables in order to determine the derived incomes in the various sectors of the economy. When the guards of a site consume lunch in an adjacent pub, they generate income for the people working in the pub. That income counts as an indirect impact, and so does all the income generated in the printing of flyers and posters to promote the site. The impact of the spending of visitors to the site is also indirect. Policy makers are instructed to pay

special attention to the so-called multiplier, which the researcher calculates by dividing the total income effect of the heritage good by the investment. It suggests that one dollar invested in the heritage good has a multiple impact on the economy. In cultural projects, the multiplier usually turns out to be around 1.2.

The interest in economic impact studies appears to be waning, as the drawbacks become clearer. While policy makers once chose these studies because they were a solid alternative to the otherwise qualitative justifications of subsidies for the arts, they are now beginning to realize that: (1) the economic impact of most cultural projects is quite small, and (2) important qualitative criteria are left out altogether. Critics point out, moreover, that the studies tend to overestimate the economic impact, since they usually leave out the negative effects of cultural projects (traffic congestion, the loss of economic value due to regulation) and, more impor-

Box 1. Some economic impacts of restoration policy, Netherlands.

To get an impression of a specific type of impact study, consider the following example. A recent study calculated various economic consequences of Dutch conservation policy. In the Netherlands, owners of historic monuments can apply for government support grants for conservation. The following impacts were calculated for 1997:

The multiplier of investments in the restoration of monuments amounts to 2.78: each dollar granted by the government led to a total investment of \$2.78. The other \$1.78 comes from private investments, sponsoring, or donations.

The so-called earn-back effect amounts to 0.74: of each dollar granted by the government, \$0.74 returns to the government in the form of taxes (income taxes of the labor involved and VAT on materials used). Hence, the investment of \$1 in the heritage costs the state only \$0.26.

The macroeconomic effect tries to account for the impact of investments in monuments by looking at its economy-wide (indirect) effects. It turned out that of each dollar invested, \$1.10 is returned via tax receipts.

The employment effect of the entire conservation policy equals 3,500 labor years per annum (\$500,000 of investment led to 9.25 labor years).

Of these results, the multiplier of investments and the employment effect seem to be the most reliable. The flattering outcomes contained in the earn-back effect and the macroeconomic effect are more likely to be the result of flaws in the impact studies.

Source: Rijksdienst voor de Monumentenzorg 1998.

tantly, they misstate the multiplier effect. As to the latter critique, impact studies tell how much income a dollar invested in a cultural project generates, but they fail to mention that that dollar has to be withdrawn from circulation first. Most likely, taxpayers had to pay up, and so do not have that dollar to spend. This points to a negative multiplier effect, which may offset the positive multiplier effect that the impact study shows. Moreover, there may be alternative uses of that dollar (such as for schools) that may have larger multipliers and hence generate more income.

The important conclusion is, therefore, that economic arguments alone will not suffice to justify subsidies for the arts (Klamer 1996; van Puffelen 1992).

Contingent Valuation Studies

Contingent valuation (CV) studies are currently most in vogue among economists, although these studies also have their critics. The technique of contingent valuation owes much of its reputation to the measurement of environmental losses in the disaster of the Exxon Valdez oil spill in Alaska. The method became the subject of extensive scrutiny, because there was so much at stake during this process. The method has improved considerably from guidelines developed by an independent commission involved in the Valdez controversy (Hausman 1993).

The basic method is that of a survey. A random selection of a pertinent group of people is asked to value a hypothetical situation. In economic studies, this usually concerns a hypothetical good in a hypothetical market. People may be asked about their willingness to pay for that good (in so-called willingness-to-pay studies)⁷ or, alternatively, their willingness-to-accept (WTA) the abolition of a measure or the removal of an object. In the WTA case, the study tries to measure the amount people may need to be compensated, for the (hypothetical) loss.

The quality of a CV analysis strongly depends on the design of the survey. Because it is too easy to spend hypothetical money in a hypothetical situation, the subjects need to be made aware of the alternative uses and therefore need to be made aware of a great deal of information before they begin answering the questions. The survey should be sufficiently rich and varied to allow for consistency

checks. To make up for the shortcomings of CV studies, some researchers have used so-called verbal protocol studies, in which they ask respondents to think aloud while expressing their WTP. Another option is to ask people to apply in practice what they reveal in their answers—for example, to give to charity the amount of money that they said they were willing to spend.⁸

Even with such improvements in the method, doubts linger. How truthful can people be when they are confronted with hypothetical situations? A conference devoted to the CV technique concluded that CV studies do not measure actual preferences and are therefore of little use in a cost-benefit analysis (Hausman 1993 and especially Plott therein).

Frey (1997a) cites a number of problems with the application of CV studies to the arts. First, CV studies allow only all-or-none choices, rather than continuous ones. Second, CV studies tend to neglect the dynamics behind the provision of the heritage good under consideration. Further, there is error built into the selection of the people who are questioned. These are usually local people, but appreciation of a heritage good can be quite international. Besides, they do not sufficiently account for the so-called endowment effect, which is the extra value that people attach to a piece that already belongs to the heritage versus a good that could become part of the heritage (Frey and Pommerehne 1989:124).⁹ Finally, CV studies cannot differentiate between a specific cultural property, such as one specific country house in the UK, and cultural heritage in general (all country houses). According to Frey, the main benefit of CV studies is that they permit qualitative judgments besides the quantitative judgments of economic impact studies (Box 2).

Referenda

The shortcomings of economic-impact and CV studies motivate the constitutional economist Bruno Frey to advocate the referendum in addition to CV studies (Frey 1997a:42). The referendum asks a constituency to vote on a public expenditure for the arts that they have indicated in the CV study to be worthwhile. This proposal therefore combines a study of hypothetical and actual valuation. Objections to the referendum idea are fairly obvious: uninformed citizens, the power of propaganda, limited participa-

Box 2. Contingent valuation study of heritage in Mexico.

Contingent valuation studies are employed in many ways. One application is to measure the value of the heritage per se. Contingent upon on one’s interests, the research may take many directions. One can assess the value of one specific piece of heritage, or one can try to estimate the value of an entire body of heritage (in a country, for instance). One can also differentiate between who values the heritage: its visitors, neighboring communities, society, or even humankind in general.

Beltrán and Rojas (1996) performed a CV study to determine the value of three Mexican archaeological sites (Templo Mayor, Cholula, and Cacaxtla), for both their visitors and for Mexican society. The first category (visitors) concerns the consumption of the heritage; the second category (Mexican society) represents the value of preservation. Visitors to these sites now pay 13 new pesos (approximately \$3.75). During weekends, admission is free. At each site, three hundred questionnaires were filled out, half of which were by paying visitors. Besides being questioned about a number of socioeconomic variables and about visits to the heritage, people were asked how much they were willing to pay to visit the sites. The following table shows the average willingness to pay in new pesos (which, on average, is higher than the admission fee charged by the Mexican authorities):

| <u>Templo Mayor</u> | | <u>Cacaxtla</u> | | <u>Cholula</u> | |
|---------------------|--------|-----------------|--------|----------------|--------|
| Nonpaying | Paying | Nonpaying | Paying | Nonpaying | Paying |
| 17.3 | 23.0 | 15.1 | 21.4 | 9.20 | 8.80 |

There are a number of interesting findings:

- Nonpaying visitors are willing to pay anyway.
- Paying for the heritage matters: paying visitors have a higher WTP than nonpaying visitors. Moreover, paying visitors are also more disappointed when the site falls short (as was the case in Cholula).
- The quality of the site matters: consumption WTP differs from site to site.
- There is a high degree of differentiation: there are great differences among the WTP of individual visitors.

In order to determine the value for the preservation of the country’s heritage, 5,600 questionnaires were filled out in seven cities. Those questioned were asked how much they were willing to pay for the upkeep of the archaeological zones on a monthly basis. These results are even more striking. Although there were sharp differences among cities and among the people in those cities, Mexicans were willing to pay on a monthly basis amounts that varied from 3.43 new pesos in Monterrey and 11.95 in Mexico City, to as much as 16.50 in Puebla. These figures suggest that Mexicans care greatly for their heritage and are willing to sacrifice some of their resources.

Despite the general orientation of the study, Beltrán and Rojas have clear policy implications in mind. Given the limitations of governmental support, they conclude that their study indicates that people are indeed willing to pay more, both for the sites they visit and for the heritage in general. The challenge is to develop proper institutions in order to capitalize upon this willingness to pay. They recommend that the management of the sites charge higher prices and devise price discrimination strategies. For the general heritage policy, they suggest starting a national and international promotion and donation campaign.

Source: Beltrán and Rojas 1996.

tion, and cost. Frey points to positive experiences with the method in his home country of Switzerland.

Valuing Cultural Heritage

To measure is to know: this is the motto of all economic investigations into the valuation of cultural heritage. “Without good knowledge and understanding of the costs and benefits of the use of a particular object belonging to cultural heritage, optimizing the use of cultural heritage by selecting the mechanism or the institutional arrangement that entails the smallest difference to the welfare maximum must remain futile and meaningless” (Koboldt 1997:67).

Yet, in the absence of well-functioning and morally justifiable markets, measurement remains a tricky business. Economists, therefore, cannot provide the final word. And even if economists could have that final word, culturalists would feel that they were left out and that their values were excluded—and justifiably so, for none of these economic measurements takes into account their valorization of goods as cultural heritage goods. Hence some qualification is needed: decisions about heritage conservation can benefit from economic measurements, but one should keep in mind that they are only one tool among others.

WHO PAYS, WHO BENEFITS, AND WHO CARES?

When Markets Fail

As mentioned above, the economic approach is about making choices and evaluating them in terms of costs and benefits. Good markets do the job, but when they fail, economists have a job to do. In efficient markets, those who pay for a good are the same as those who enjoy the benefits of that good. And that means that the very same people are those who care about the good. Economists generally prefer such outcomes: they seem fair, and they seem to guarantee the proper incentives all around. Market failure might result in an uncoupling of these identifications. In case of a subsidy, taxpayers pay in the end, but they may not benefit. And among those who benefit may be many who did not care enough to organize the subsidy. In that case, the economists again have a job to do. They consider it their task to study the effects of

nonmarket interventions, how they affect incentives, how fair and efficient they are, and, possibly, whether superior alternatives are conceivable.

Critical in many studies is the issue of property rights. When regulations enforce the preservation of cultural heritage, property owners incur costs while everybody else is free to enjoy. Owners of heritage property may invest a lot of care and costs in their property, but instead of an increase in value, they may be confronted with a decrease in the value of their buildings due to the listing. Box 3 addresses this type of case.

Rent Seeking

Economists are also concerned with the incentives of those who supposedly care. The standard argument points at the superior incentives and knowledge that people in markets tend to have. People who use their own money act in their own interest. Since government bureaucrats—or, for that matter, employees of international agencies—work with the money of others, economists become suspicious. Maybe regulations are in their interest, economists wonder, because by means of regulation they are in control—and they need to have control to have a job. Maybe they fight hard to increase their budget for subsidies because the distribution, too, gives them work and perhaps prestige. According to economist Sir Alan Peacock, art administrators “delude themselves into believing that they are perpetually underfunded” and “conduct continuous action designed to remove the constraint” (Peacock 1997:227). The underlying force is that of rent seeking; that is, the attempt to appropriate surplus value (rent in the broad sense) in excess of what would otherwise emerge on a perfect market. Think of cultural organizations lobbying for additional subsidies or for better regulations, or of government bureaucrats devising new subsidy programs as a way to increase their power. Benhamou (1996) presents empirical evidence from France that suggests that these forces operate in the sphere of the government. She registers an exponential rise in conservation costs, just as economists would expect (Box 4).

Who Cares?

And then there is the question of who cares enough to take responsibility for organizing and financing

Box 3. Effects of listing

Heritage policies generally deal more with regulation than with direct funding. But each regulation has economic consequences. Owners of listed paintings, for example, may have difficulties selling at a good market price because of restrictions on export of listed paintings. When the listed heritage is immovable, the owner will be restricted in the usage of the building and may incur additional costs for preservation of the structure in its original state. Conversely, listing may add value to the property because of the recognition it receives as a consequence of the listing. There is no way of telling in advance which effect will dominate in the end.

England's Royal Institute of Chartered Surveyors (RICS) recently conducted a study to assess the effects of listing on the value of property (1994). In earlier research they had established that the financial performance of buildings is not affected by listing. In the 1994 study, however, they found that listing reduces the capital value of buildings. This result, however, should be interpreted with great caution and cannot be taken as proof that listing always leads to a decrease in value. The study includes only cases in which the owners applied to the authorities for demolition or alteration and had their applications turned down. This sampling strategy was chosen because it enabled a measurement of value changes. The selection of cases, hence, implies a bias toward negative value effects. Buildings with increased value due to listing are left out.

Despite this major flaw, the study provides useful empirical insights. The study shows, for example, how owners are unable to internalize the externalities of heritage buildings due to market failure. Owners were shown to suffer from a value decrease of between 1% and 10% of a building's value. Listing presented a number of restrictions that negatively affected the value of the building:

- Listing eliminated development value: owners could not tear down a building and construct a more profitable one.
- Listing resulted in uncertainty: owners were unclear about which alterations were permitted, and they faced unpredictable application procedures.

One insight drawn from this is that listed buildings are part of the lower segment of the market, because they have a less efficient cost structure. As a consequence, they are subject to vacancies, especially in times of excess supply of office space. If suitable use is not found, they are liable to deterioration. This is even more likely to be the case in places such as England, where listing does not invoke a duty to keep buildings in good repair. Of the eleven cases in the study in which alterations or demolition were refused, eight are vacant, and six of them are deteriorating.

Another remarkable finding is that in a number of cases, developers used resources from other parts of their portfolio to subsidize the listed buildings. Developers considered this to be a nice gesture made on behalf of society at large.

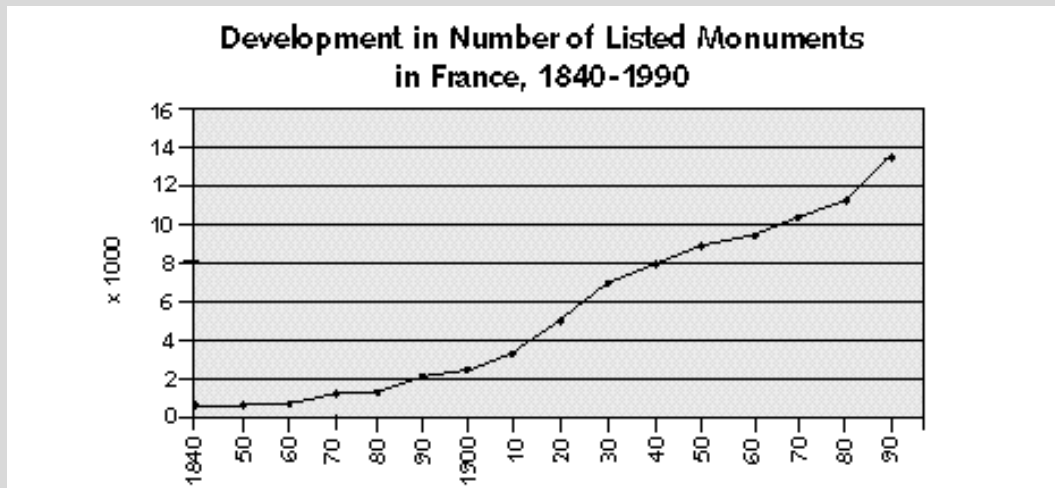
The irony here is that listing does not necessarily help solve the problem of conserving cultural heritage. Buildings were kept from demolition, but because listing failed to take financing into account, they were not protected against deterioration. The study appears to suggest that some form of compensation for owners' lost value is desirable. Leaving aside the question of who is to pay this compensation, we may wonder whether compensation will provide the proper incentives. Will owners be able to attract proper renters for longer periods? Another solution is to be more flexible and allow alternative uses for the building. Or perhaps the listing of large buildings should be abandoned altogether (see Box 4).

Source: Scanlon, Edge, and Willmott 1994.

Box 4. Public expenditure on listed heritage: slippery slopes and spirals.

Besides costs for the private sector, listing also has economic consequences for the public sector. Françoise Benhamou has performed a study in France in which she investigates the consequences of listing for public-sector expenditure on the heritage. In France, central authorities finance about 50% of conservation work on listed buildings. Heritage regulation also offers indirect support in the form of tax deductions for repairs and caretakers, and relief from inheritance taxes. Apart from this support, a large part of the heritage is owned by the government (5.6% state, 62.5% local authorities). The total amount of buildings listed is approximately 15,000.

Consequently, the costs of listing policy are considerable and tend to grow constantly. Two factors are the source of this growth. First, lists develop cumulatively—that is, more and more buildings are accepted, and of course none are taken away. Second, the concept of heritage has continually undergone extension: ever more types of goods qualify as heritage. The concept of heritage first encompassed buildings; later it has been expanded to include gardens, interiors, and industrial heritage. Developments in listing are as follows:



As expected, the costs are considerable; Benhamou calculates them at \$1.6 billion, which will (if one takes in account multiplier effects, as mentioned in Box 1) result in a total of \$4.0 billion spent on heritage. Since the state is finally responsible for these costs, expenses are likely to grow.

In order to see how this develops, Benhamou presents an argument somewhat Malthusian in spirit. The growth rate of the number of monuments is larger than the growth rate of the GDP, and hence, the growth rate of governmental expenditure is bound to grow without bounds. As a consequence, “In a stable economy, if the division between salaries and profits remains unchanged, the share of wages which is paid to employees who maintain and restore the historic monuments represents a growing fraction of the national income. Then the permanent upkeep of a growing number of historic monuments will result in the annual earmarking of an increasing proportion of national income” (Benhamou 1996: 121).

Benhamou has noted yet another mechanism at play in the funding demands of listing: spiraling spending (Benhamou 1997). This phenomenon is a consequence of asymmetric information. Owners of historic buildings first of all want to preserve their property and prefer to give it the best possible treatment (either for reasons of enhancing its economic value or its cultural or aesthetic values). Conservators also want to have the best (both in qualitative or quantitative terms). In order to secure as much government funding as possible, they make increasing demands on public funds. Because the administration does not possess the right information to curtail these demands, the demand on funds spirals upward.

In both ways, Benhamou describes a kind of heritage version of Baumol's cost disease. Just as Baumol argued for the performing arts, serious productivity growth in the conservation sector is not to be expected, since work is largely artisanal in nature. Moreover, authentic materials become ever more costly.

Benhamou suggests three solutions to counteract the increasing demands on public funds for the heritage. These are:

- Sponsorship: the burden for the upkeep of the heritage should not fall on the state alone but could also be carried partly by the private sector.
- Merchandizing: some goods related to heritage can be marketed at a commercial rate.
- Delisting: by removing items from the list, the costs of cumulative upkeep may decrease.

The first two solutions point to ways of financing public goods besides government financing. The third solution, delisting, is uncommon in the field of heritage management, but this possibility challenges officials to rethink the rationales for listing. Decisions about listing (and thus delisting, too) are in general left to experts, who are inclined to separate the issue of listing from that of financing the listed property. The investigations of Benhamou suggest that there may be a relationship between the two. This point will be picked up in the second part of this paper.

Sources: Benhamou 1996, 1997.

the provision of public goods like cultural heritage. Many people care—in principle, they are all potential beneficiaries—but nobody may care enough to take responsibility. That is why in economic discussions about cultural heritage, the government almost automatically (after the identification of market failure) assumes the role of the caretaker. Accordingly, civil servants are assigned the responsibility to design government programs, politicians are left with the task to secure government budgets for cultural heritage, and bureaucrats subsequently spend the budgets.

However, public administrations are not necessarily the only organizations that care enough to take responsibility. The international agency Unesco is the paradigmatic case. With its care for the heritage, it fills the international vacuum by making

conventions between countries and by prompting research and exchange. And there are numerous private nonprofit organizations that take responsibilities for some heritage good or another, such as the National Trust in the United Kingdom and the National Trust for Historic Preservation in the United States. Firms sponsor such organizations, and numerous individuals contribute or volunteer. Individual owners invest in their own property and may also donate their heritage goods to semipublic institutions like museums.

Throsby doubts that the market, combined with voluntary and nonprofit action, suffices to care for cultural heritage, although he recognizes the important role that voluntary action has historically played in terms of setting the agenda and providing funds (Throsby 1997a:18). According to Throsby, the state

is the only agent with extensive powers, such as taxing, government expenditure, and regulatory facilities, to create the momentum needed for heritage preservation projects. As noted above, however, Benhamou (1996, 1997) suggests that government involvement may generate a dynamic that will be its own undoing.

INSTITUTIONAL SOLUTIONS

Like Throsby, economists customarily look to government when it comes to solutions to market failure for heritage goods, or even to the total absence of a market. Laymen may immediately think of government spending, but there are alternative forms of government intervention as well. A recent book edited by Schuster, Monchaux, and Riley (1997) surveys the various options of government. The book identifies five tools for government to use for heritage policy: direct ownership, regulation, changing incentives, modifying property rights, and providing information. A brief discussion of each one follows.

Direct Intervention: Owning or Operating Heritage

In order to preserve certain heritage goods, the government can simply take possession of them. This practice is the most obvious way to circumvent the market altogether. The message is clear: the appropriated heritage good serves a public interest, and the government takes responsibility on behalf of its citizens.

One question that economists ask concerns the efficiency of such an intervention. Could the government have made better use of the taxpayers' money (by spending on education or infrastructure)? Might nongovernmental agencies be better caretakers? Is it possible that the government's appropriation prevents other parties from taking possession of the good? Economists are reassured when the government turns out to have acted as a last resort—that is, as a safety net. But how can we be sure?

Nevertheless, there may be good reasons for the government to take possession. The government may have knowledge that other parties do not have. Preservation and conservation can be expensive and complicated affairs that require a great deal of expertise, and government agencies may be better places

for the expertise that is required. Government agencies may be best suited to deal with the coordination problems that the preservation of important heritage goods requires. Often, parties interested in a heritage project will stand back for someone to take the lead. Government agencies may do just that. Finally, state control over the preservation of heritage may be prompted by equity considerations. The state can promote equity by devising uniform treatment for everyone. This can help to mitigate elitism and discrimination on the basis of class.

Attitudes toward government ownership differ from country to country. Governments in western Europe are more willing to intervene and can afford to be so (although there are clear differences in policies between the Anglo-Saxon countries and Continental Europe). In the former Communist countries, heritage used to be totally under the control of the state. Following the collapse of state socialism, these governments are underfunded and badly organized, and they are therefore currently not very involved in direct interventions. Generally speaking, it is likely that in most developing countries, governments prefer to allocate funds to innovate and develop for the future rather than to preserve the past (Bianca 1997).

Regulation

Another form of government intervention is the design of regulations. In this case government claims authority and imposes its prescriptions and norms on the parties involved. Throsby (1997b) distinguishes between “hard” and “soft” regulations. Hard regulation prescribes behavior, whereas soft regulation only steers intentions through covenants and treaties.

Throsby offers a number of arguments to justify the use of regulation. These arguments reflect the various functions of government intervention: safety net, expert, authority, coordinating entity, the insurer of equity. Governments may act as safety nets when the risk of a project is too high for private parties, when other options are exhausted, or when a cultural good is about to be irretrievably lost.

Regulation can take many forms. The most important ones are legal. There are regulations for listing objects (only certain objects can enter the list), for the consequences of being listed (only cer-

tain kinds of alterations are allowed), and for the use of objects (they should be accessible to the public). Other regulations concern the functioning of the market (restricting the sale or export of certain objects) or are concerned with taxation and subsidies. Tax deductions (owners of historical buildings can deduct restoration costs), tax exemptions (owners of historical buildings do not have to pay property or wealth taxes), or specific tax arrangements (owners of historical buildings do not have to pay taxes over the market value of property) are commonly used.¹⁰ Various regimes of subsidy regulation may also apply. Owners may be eligible for subsidies for conservation, operation, or the opening of objects to the public.

Incentives

Incentives are the third kind of tool for the conservation of heritage. In contrast to direct intervention and regulation, incentives allow the state to stay out of the actual process of conservation. They no longer engage in hands-on work but provide incentives to shape decisions. The message it expresses is more cooperative—that is, when an individual performs a particular action, the state will do its share. As such, the state matches individual behavior and hopes that incentives radiate from these matches.

Schuster describes two types of incentives: direct and indirect. Incentives can be distinguished by whether they are directed to individuals or (non-profit) organizations. Various incentives are presented in Table 2 (for examples, see Schuster, Monchaux, and Riley 1997).

Unlike the first two tools, incentives are much more difficult to control. Schuster, Monchaux, and Riley (1997), refers to Stipe, who has argued that the effectiveness of incentives depends, among other

things, on the income of the targeted person. A more significant problem is that when incentives are in money terms, the monetary value may not correspond with the so-called incentive value.

Furthermore, incentives are based on specific behavioral assumptions, which are, of course, fallible. In devising an incentive, one assumes that people act in a particular way because of this or that reason. If an incentive anticipates reasons on wrong grounds, the incentive is likely to fail. One great advantage of a policy directed at incentives is that it is less oppressive and interventionist than the alternatives. One disadvantage is that even with the proper incentives, proper care of heritage goods is not guaranteed. Control is limited at best.

Redefinition of Property Rights

This tool is analogous to policy tools in the domain of copyrights and patents. The central idea is that (social) benefits that do not automatically flow back to the producer of the good (a classic case of market failure) may do so anyway if the producer or owner is granted extra rights, such as patents or intellectual property rights.

Heritage regulation usually places a restriction on the owner of heritage goods. Such conditions pose a problem for the “traditional conception of property rights” (Costonis 1997). Owners of buildings expect to do what they please. Although heritage regulation does not infringe upon basic property rights (one still is the rightful owner), it does conflict with some of the rights normally implied in the property right. Hence, regulation does not affect the property rights on listed land, buildings, or objects directly, but it may prohibit the execution of the right to develop something on the land, to modify the facade of a building, or to sell a work of art.

Table 2. Direct and indirect incentives.

| | Direct | Indirect |
|---------------------------|--------------------------------|---|
| Individuals | Grants | Taxes (deductions or exemptions) Loans Guarantees Exemption of regulations |
| (Nonprofit) Organizations | (Matching) grants Donations | Taxes Loans Guarantees Exemption of regulations |

Conflicts of this type can be avoided by a redefinition of traditional property rights. Redefinition can take the form of splitting rights into property rights and development rights, or by introducing a new type of right—for example, a “facade easement.” The next step is to create special markets where these separate rights can be transferred. Heritage preservation can now be implemented by the development rights being bought up, by facade easements, or by the right of resale. Another solution is to forbid trade in particular rights. The latter idea, however, is not really a solution to the original problem.

If markets are perfect, it can be expected that following the separation of property rights from development rights, the price of the property right will go down, and the price of the development right (together with, for instance, modification rights) will reflect the separate value of the heritage.

Although these solutions seem somewhat artificial, the preemptive rights that some European governments have awarded themselves can be seen as a real-world example. Under preemptive rights, the government has the right to be the first to purchase a piece of movable heritage when it comes on the market. Only after the government has decided not to buy can it be sold to others. By introducing preemptive rights as a new right, the government limits property rights on movable heritage. The right of resale has, in effect, been detached from the property right.

Information

The role of information is perhaps the least appreciated and most underestimated tool for preservation (Schuster, Monchaux, and Riley 1997).¹¹ Yet in some cases, it may be the only tool available. Schuster points at a number of possible reasons for the use of the information tool:

- *Disclosure:* The tool is employed to reveal existing knowledge to those who are unaware of its existence;
- *Drawing attention:* The tool is employed to attract more attention for a topic;
- *Involvement:* The tool is employed to increase efforts of others on the matter; this application of the tool fits well with efforts to decrease direct government involvement.

Information plays the following roles in the conservation process:

- *Identification and documentation:* The phenomenon of listing performs a number of tasks for the identification and documentation of heritage;
- *Validation:* The act of listing also reinforces the value of heritage;
- *Recognition:* Acknowledging the value of a piece impels to action;
- *Promotion:* Once a heritage good is officially identified as such, it may get desirable attention;
- *Preservation and maintenance technique:* The exchange of information may enhance the efficiency of preservation;
- *Coordination:* Information enables the coordination of action in which many parties are involved;
- *Education:* Information is the key in communicating to people the importance and intricacies of heritage conservation;
- *Persuasion and exhortation:* Information may also be used for more ideological purposes.

The information tool has as a great advantage that it is cheap in relation to direct ownership. Its disadvantage is that its effects are hard to trace and determine.

Special Attention for Movable Heritage

The emphasis in economic research on cultural heritage is traditionally on immovable heritage. Among the reasons may be that the provisioning of movables resembles ordinary market behavior and hence does not seem to require special attention. Immovable heritage gains its value, for the most part, outside regular market settings and hence requires a special discussion.¹² But what if we were to include movable heritage?

The main issue here is trade. In the case of ordinary economic goods, owners can offer them for sale to the highest bidder, but policy makers may want to restrict the trade in movable heritage goods simply to preserve those goods for the sake of the local community. When foreigners buy art from

Tibet at a grand scale for good prices, many Tibetans stand to benefit in the short run; in the long run, they will have to live without their own cultural heritage goods in their possession. For the sake of Tibetan cultural heritage, governments may want to prohibit exports of Tibetan art. Governments may furthermore claim their preemptive rights to buy heritage goods when they are put up for sale.

It remains to be seen whether these measures serve the intended goals. Forte describes these measures as “neo-mercantilistic” and accuses authorities of measuring with two different measures (Forte 1997). On the one hand, governments operate on markets to obtain valuable heritage pieces, while on the other hand, they restrain markets when pieces of heritage are about to leave the country.

The problem is that in many cases, movable works of art cannot be unequivocally assigned to one specific country. Do Shakespeare manuscripts belong exclusively to the United Kingdom? Must Maya objects stay in Central America? To whom belongs a Vermeer commissioned by Louis XV, depicting the queen of Spain, painted during Vermeer’s stay in Switzerland, and now hanging in the Louvre? Given that art has always been a global phenomenon and given that there are major changes over the course of history, current nations are not necessarily the most obvious matrices. Both Belgium and the Netherlands count Flemish painters as their cultural progeny. Roman and Greek culture are considered to be the roots of all of Western society.

According to Forte, trade restrictions damage the interests of civilians. By artificially confining the flow of artworks to somewhat arbitrarily chosen countries, heritage goods remain confined to small groups and tend to stay in private collections. Forte’s analysis is focused on the European Union, but it could easily be applied elsewhere. Works of art that are important to the heritage of all Europeans are appropriated by specific countries. The solution presented by Forte is to induce European programs to make access more adequate. He suggests:

- joint ownership of public-interest partners;
- joint ownership of public-interest partners and the EU;

- exchange systems of works of art;
- EU loans to public-interest organizations; and
- support systems based on circulation.

While trade may hamper preservation, preservation activities may affect trade. The obvious example is, of course, the imposition of trade restrictions; more interesting, however, are the consequences of listing on the trade in works of art. Although these matters are difficult to ascertain unequivocally, the listing of movable objects generally leads to a rise in the value of the objects. Note that the effect of listing on the movable heritage is the inverse of what one commonly thinks is the effect of listing on immovable heritage. As the research discussed in Box 3 suggests, the listing of buildings is expected to lower their values rather than raise them.

There are two main reasons for this. There is generally an active trade in movable heritage goods themselves, rather than in some derivative or another (as is the case with immovables). In addition, agents of the arts may get directly involved in auctions, and as a consequence, they may drive up prices.

The upward pressure on prices and trade in listed heritage has two side effects. The first is the emergence of alternative markets. In a historic study of conservation policy in Italy during the nineteenth century, Guerzoni found a “double effect” of listing. In response to preservation measures, new markets emerged which took “advantage of geographical and juridical inconsistencies by favoring or curbing their activities in specific economic sectors connected to the art market (restoring, painting and printing of reproductions, the forgery industry, and so on)” (Guerzoni 1997:112). The second effect was the emergence of markets that focused on “collectionable genres and market niches left uncovered by preservation policies.” The most important effect may be that people feel forced to shift their attention from old masters to contemporary work. Another tendency is the emergence of markets for lookalikes.

Listing procedures also influences artistic conceptions. Listing sometimes leads to more listing. Not only does consistency compel the extension of lists, the spirit of listing may incite other forms of listing. Thus, having listed works of Rembrandt

compels one also to list works of Vermeer, and having listed paintings urges one to list ceramics, books, and sculptures too.

Yet another phenomenon concerns the strictness of trade restrictions. Strict regulations tend to enforce a shift in where trade takes place. If regulations are stricter in one region than in another, trade usually moves to the more favorable region. Another outcome is that trade restrictions promote illegal trade on black markets. Scotland Yard has estimated that the annual value of stolen art amounts to \$460 million for the United Kingdom. Global thefts (excluding looting) are ten times higher (Palmer 1995). A related problem is that strict regulations are costly to enforce. Perhaps in modern society, the fear of pushing heritage pieces onto the black market is less pressing—after all, there are still great numbers of cultural treasures from earlier times that are in circulation throughout the world. These objects have left their countries during wars or periods of colonization, or they were removed by theft. In many countries, regulation has been enacted to enforce the return of these cultural treasures.

CONCLUSIONS AND RESEARCH QUESTIONS

As the preceding discussion has shown, the science of economics has important contributions to make to the understanding of cultural heritage and conservation.

Leave it to economists to point out that scarcity matters. Resources are limited, and hence, choices are inevitable. Even though economists in general prefer that markets deal with the scarcity problem—on the grounds that they best guarantee consumer sovereignty and the connection between those who pay and those who benefit—they recognize that markets are somewhat inadequate in the case of heritage goods. The main reason for this is the public nature of heritage goods, although we should add that the publicness of heritage goods has not been the subject of serious inquiry. It is here that the inventiveness of economic science can make a contribution, and it is here, also, that economists have something to learn from culturalists.

Economists point out various ways of procuring public goods such as heritage goods. They all, in some way or another, involve a government author-

ity. Governments can, for example, take possession of the good and take care of its preservation and availability to the public. Alternatively, they can provide subsidies to the (private) owner in order to safeguard the procurement of a heritage good. The authorities may furthermore regulate owners of heritage goods to prevent negligence or unauthorized changes to the good (including its export to other countries), and they may try to improve the incentives of owners and other interested parties to do the right thing (for example, by alteration of tax rules). Expect economists to be especially keen on the latter issue. Incentives matter and play a major role in economists' analyses, so they want to know the effects of any measure taken on the incentives of owners and those who happen to care about a particular heritage good.

No matter how important these contributions of economic discourse may be, the current state of economic research on cultural heritage is less than overwhelming. Tangible results are limited. We think that we have covered the important studies in this paper and yet are left wondering about the attention those studies have attracted either from economists or others working with cultural heritage. Is the reason for the lack of interest among economists that the applied research is too difficult to do and does not stir theoretical interests? And do practitioners ignore the research because the design does not meet their needs?

Bruno Frey, an economist himself, attributes the lack of interest of practitioners to the sobering effect of much economic research:

The real problem is how to communicate this fact [that contingent valuation studies are able to distinguish in terms of the quality of work and not in terms of general quantities] to the arts people. They do not seem to be much interested in willingness-to-pay studies but rely on impact studies because they tend to yield much higher absolute monetary values. Art economists rightly criticize impact studies which totally neglect non use values, but arts people in this particular case give up their resistance against the "monetization of art," an attitude which they otherwise cherish clearly. (Frey 1997a:41)

Another possibility for the lack of interest is that economic research tends to be too restrictive. Its

strategy requires the reduction of all values that people may ascribe to heritage goods (like personal value, use value, religious value, and cultural-historical values) to the only value that a quantitative approach can handle—that is, price. This fixation may be responsible for the alienation of those whom we call culturalists. In fact, we doubt that culturalists will recognize many of their concerns in the preceding discussion.

The gap between the practices of economists and those of culturalists is our concern. Is it possible to bridge this gap? The next part proposes a possible bridge.

We end with a few questions and issues elicited by this survey of the economics of heritage:

- *In what respects are heritage goods different from other goods?*
Economists are inclined to treat heritage goods as different because of their public character, a notion that has drawn on research into the economics of the natural environment. Are there reasons to question this point of departure and claim a different status for heritage goods?
- *How “public” are heritage goods?*
Does the public nature of heritage goods differ from one kind of heritage good to another? For example, are there significant differences between the public character of a painting, of a monument, and of a play? What are these differences? Does the public-good character of heritage automatically qualify it for government support? Or are other financial arrangements conceivable?
- *Can market failures in the case of heritage goods be normative?*
Economists are inclined to focus on “objective” reasons for market failure. As we discussed, markets may also fail for normative reasons in the sense that people disapprove of market allocation of heritage goods. How can economics accommodate such a disapproval?
- *Who benefits, who pays, who cares?*
When markets fail, there is no automatic coordination of caring, paying, and benefiting, according to economist discourse. Is it true that the market is superior to other arrangements, or

does it have a bias of its own? What are the rents that the various stakeholders are after? Are they always economic in nature? Which arrangement suits which stakeholder best? What are the best ways to link those who benefit, those who pay, and those who care?

- *What about the institutional solutions that economists propose?*
The five economic tools (direct intervention, regulation, incentives, redefinition of property rights, and information) presuppose the involvement of governments. Can these solutions also be obtained by other means? What advantages and disadvantages would be incurred?
- *What has been the value of economic research into cultural heritage so far?*
Has economic research made a difference in the heritage field? What are the main contributions to the field that economics has made? Concepts? Impact or value studies? How do we appraise its main contributions?

Part II: Financial Arrangements Matter

The first part of this paper ended with the conclusion that although analytically powerful and helpful for the identification of market failures, the measurement of existing values (valuation), the signaling of distributional issues, and the evaluation of heritage policy and management, economic discourse falls short in accommodating the value discussions that are of greatest interest to culturalists. This shortcoming does not justify, however, the absence of economic concepts and insights in discussions among culturalists. The scarcity of resources and incentives matter, as do social and cultural, as well as economic, issues. Is it possible to extend the discussion on both sides in order to find common ground?

In Part II we articulate and support the thesis that financial arrangements matter. The way in which the heritage is funded may not only affect the appraisal of the heritage but may even contribute to the “creation” of the heritage. To put it in terms used at an earlier GCI meeting, we want to see what role economic arrangements play in the valorization of the heritage. If there is such a role, we have found a moment in which the (economic) process of valuation interacts with the (cultural) process of valorization.

This is not to claim that economic factors play an exclusive role in the valorization of heritage, as some economic arguments unfortunately suggest. Economic factors shape heritage creation and conservation, just like discussions among art historians, conservation specialists, policy makers, museums, tourists, and the media do. Surely, this recognition complicates the analysis of the value of the heritage. Then again, the subject of cultural heritage is complex, as culturalists often point out. Many different values come into play, and they are all continually contested. We do not pretend that we are able to incorporate everything. We focus on the role of economic practices because we are, after all, economists. At the same time, we want to account for the complexity of the value of cultural heritage.

The ideas that we present here are part of an extended research program in cultural and socioeconomics (cf. Granovetter 1985; Polanyi and Pearson 1977; Hutter and Rizzo 1997; Frey 1997b; Klammer 1996, 1997). As products of ongoing research, the

arguments are tentative and will need to be fleshed out.

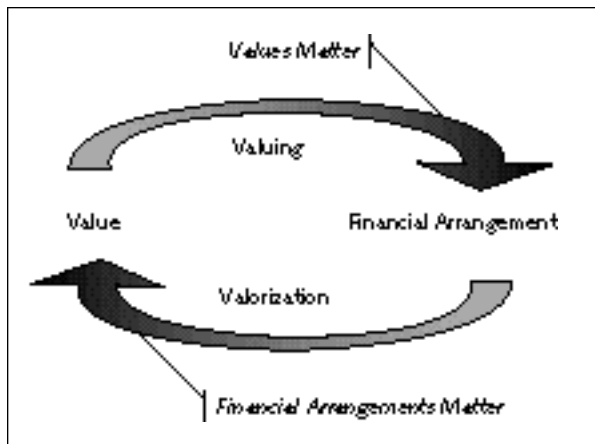
Specific values are constructed, or come about, through certain processes. Think of a cupboard that is old, decrepit, and dysfunctional, and that stands in the way. You, the owner, are about to throw it out when an acquaintance walks in who happens to be an antique dealer. This acquaintance identifies the style of the cupboard, surmises that it is from a well-known nineteenth-century carpenter shop (how the fame of the shop survived over time must be a story in itself), and estimates the market price in the cupboard’s current state to be around \$7,000. Suddenly the worthless cupboard has become valuable, and it becomes so in many different ways. Learning about the “objective” exchange value, or economic value, you may change your opinion about the chest. You may appreciate it now as antique; you may want to learn more about that famous carpenter shop to learn to appreciate the cupboard even more. You may grow attached to the cupboard and use it as a showcase for visitors—with a nice story added about your initial ignorance. Who knows—the cupboard may become your personal link to history.

The preceding sequence of events demonstrates how a valuation in the market can trigger a process of valorization in which (noneconomic) values come about. The sequence also works in the opposite direction: When art historians, after some wrangling, have identified an old cupboard as being from a famous nineteenth-century carpenter shop, expect its “objective” exchange value to shoot up. Or when it was determined that the painting *Man with the Golden Helmet* was not by Rembrandt, its economic value dropped dramatically. The process of valorization, therefore, is to be expected to influence the valuation of a heritage good. These two processes are inextricably linked.

If this interaction between valuation and valorization seems obvious, let us point out that it does not show up in conventional economic accounts, as reported in previous part. After all, valorization is about a change in values, whereas conventional economics presumes that the values people attach to heritage goods are given. Accordingly, if we can account for processes of valorization in the economics of cultural heritage, we alter the standard approach to accommodate the processes that figure in culturalist accounts.

Our intervention goes one step further, though, suggesting that the way in which the economic value of a good is realized may affect the valorization process and hence alter its value. We contend that it matters whether the heritage good is priced in a market, subsidized by the government, or realized by means of a gift. Pricing, subsidizing, and gift giving are three ways of “financing” the good, and each may influence the valorization differently—at least, so we suggest. Figure 1 depicts the interaction between valuing, financing, and valorizing.

Figure 1. Values and financial arrangements matter.



If we are right in claiming that the financial arrangement matters to the valorization of heritage goods, culturalists will find a new interest in the financial issues that they may otherwise have left to economists. And economists will need to be concerned with the substantive cultural consequences of the financial arrangements that they propose.

In the following pages, we elaborate on the three different financial arrangements—pricing, subsidizing, and gift giving—in the case of heritage goods. We will point out how they may affect the valorization of the heritage. In Box 5, we present a few data to attest to the empirical relevance of these financial arrangements.

THREE ECONOMIC SPHERES

The three different financial arrangements of pricing, subsidizing, and donating represent three different economic spheres. Pricing characterizes the sphere of the market. In this sphere, an exchange is a quid pro quo: one value is exchanged for another

between parties, who have no other interest than getting the best possible deal. Measurement in monetary terms (i.e., price) is critical to enable an objective exchange of equivalent values for the so-called exchange value. In markets, those who pay are usually those who benefit, and therefore they are also those who care.

Subsidizing indicates a role of some government player or another. Here those who pay are generally not those who benefit—and usually not those who care either. Taxpayers pay for the subsidies, and only indirectly, through their political representatives, have they a say on who benefits. Those who care are politicians, and possibly bureaucrats and expert consultants.

Donating is what people do in the so-called third, or informal sphere. Here people do not pay directly for goods or services delivered, in a quid pro quo, nor are government agencies implementing rules and laws. This sphere revolves around the gift—an informal exchange based on the principle of reciprocity. Here, too, those who pay (the donors) are usually not those who benefit; yet, in contrast to subsidizing government agencies, they are also those who care.

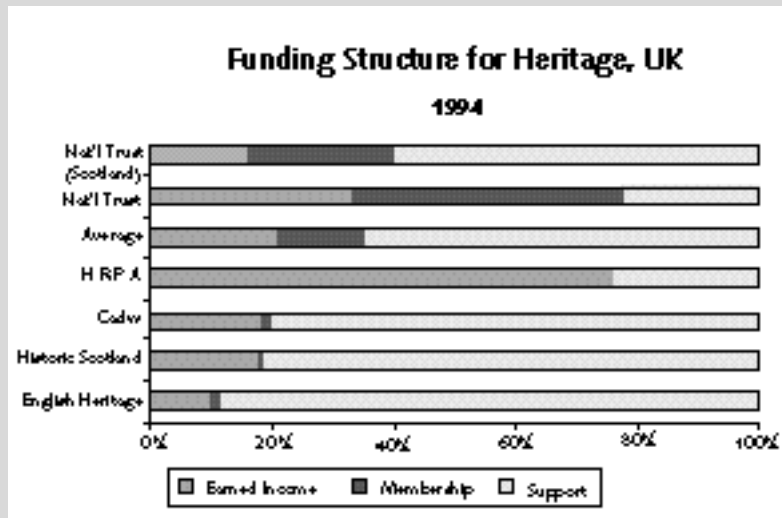
As Mauss and so many after him have pointed out, the common gift is not disinterested (Mauss 1990). It is difficult to come up with examples of gifts that do not carry with them the expectation of a counter-gift. This is what is meant by the gift evoking the principle of reciprocity. The critical difference with respect to the quid pro quo of market transactions is the unspecified character of the exchange. When an artist volunteers her own time for making art, she may have no idea what the pay-back is, and when parents give everything they can to their beloved children, they may have no more than an illusion that they may get some attention and respect from these very same children when they grow old. When people donate time and money to the National Trust, they may receive gratitude and good feelings in return, but the terms of the trade are up in the air, highly uncertain, and certainly unspecified in any kind of contract. That is why gifts are so different from market transactions and government subsidies and why they are part of an entirely different sphere.

The three spheres that we distinguish here correspond with the three “forms of integration” that

Box 5. Funding the heritage, United Kingdom.

The funding situation in the United Kingdom illustrates the need to distinguish the three dimensions of the market, the government, and the gift. Although the state finances the greatest proportion of cultural heritage conservation in the United Kingdom, the data show other, considerable sources (see Appendix 1). The National Trust, for example, is a nongovernmental organization with a budget that equals even that of English Heritage.

The sources of funding for the important British organizations for cultural heritage are diverse. The following graph shows the relative contributions of the three dimensions—the market, the gift, and the government—to the funding of a selection of British heritage institutions.



The governmental distribution bodies, English Heritage, Historic Scotland, and the Welsh Office (Cadw), are obviously largely dependent upon support from the government. Even so, the share of earned income is still considerable. Remarkably, governmental organizations even receive some donations, in the form of memberships.

The agency that manages the Historic Royal Palaces (HRPA) earns up to 75% of its income from admission fees and could be called a market organization. Still, a quarter of its income comes from government support.

Voluntary organizations are a different story. In their case, income from membership constitutes the largest portion of their funds, together with private donations and bequests. They, too, receive funds from the government (these are likely to be distributed through English Heritage or Historic Scotland; hence, some of the funds are counted doubly).

The data represented in the graph above suggest that the public nature of cultural heritage does not go so far that only the government is able to care and put up the necessary funds for heritage conservation. Market arrangements work, too, and there is another effective dimension—that of the gift.

Source: Casey, Dunlop, and Selwood 1996.

Polanyi and Pearson (1977) identify, which are those of exchange (our market sphere), redistribution (the government), and reciprocity (the third sphere). The third sphere figures prominently in the sociological literature, as in the notions of civil society and Durkheim’s mechanical solidarity. Conventional economic discourse, however, does not recognize its existence. Then again, it does not do much with gifts either, even though these may figure in the great majority of transactions among people—just think of the transactions among family members or between colleagues.

We distinguish the spheres by the type of transactions that they enable. If one thinks in terms of human interrelationships, both the market and the government sphere tend to objectify interhuman relationships. When “objective” prices and regulations determine who gets what, social capital appears to play a subsidiary role at best. When dealing with a supplier, it is not who you know that matters but what price you are willing to pay. When

dealing with a bureaucrat, all that counts are your objective data, which can be captured on a form and compared to “objective” standards.

Individuals as well as organizations usually operate in all three spheres. We buy and sell in markets, deal with governments by paying taxes and receiving benefits, and give to charities, our friends, and our children. For instance, the data in Box 5 show that British cultural heritage institutions generate their funds in all three spheres. Even government agencies engage in the third sphere. An organization like the Getty Trust may be associated first of all with the third sphere, as it represents one large gift, but it surely also operates in the market sphere (when “buying” labor and supplies) and will have a great deal to do with the government. Then again, it may also operate more or less like a government agency, using experts to determine which activities to subsidize.

Table 3 summarizes the main features of each economic sphere.

It matters in which sphere the value of a good is

Table 3. Economic spheres.

| | Market | Government | Third sphere |
|------------------------------|---------------------------------|------------------------------------|------------------------|
| Transfer | Quid pro quo | According to rules and regulations | Reciprocity |
| | Closed | Repeating | Open ended |
| Organization | Private | Public | Voluntary/nonprofit |
| Relation | Objectified and individualized | Objectified and individualized | Personal |
| | Individual | | |
| Positive or negative aspects | Anonymous | Anonymous | Involved |
| | Easy for dealing with strangers | Generic application | Accommodating |
| | Autonomy | Solidarity | Engagement |
| Key values | Selfishness | Distance | Dependence, repression |
| | Prudence | Common good | Responsibility |
| | Freedom | Justice | Love |
| | Individual choice | | Engagement |

realized. Other values come into play. Following economic sociologists like Granovetter (1985) and economic anthropologists like Polanyi and Pearson (1977), we posit that economic transactions are embedded in the wider culture and society. A quid-pro-quo deal is not just a deal but evokes the sphere of the market—and hence the norms, expectations, roles, and values that come with that sphere. Surely that sphere is complex and allows a great variety of experiences. Nevertheless, it is (more than any other sphere) the sphere of freedom, individual choice, innovation, selfishness, and prudence. It is not the sphere where we expect expressions of charity, care, solidarity, love, and friendship. It is the sphere where we expect to run into characters like the merchant, the dealer, and the entrepreneur.

To enter a transaction in the market sphere is not a neutral act. It is not just that the transaction realizes the value of the good exchanged. It evokes other values that pertain to this sphere, like freedom, self-interest, entrepreneurship. As historical accounts show (cf. Thompson 1968; Reddy 1984), the emergence of the market sphere caused a series of tensions as values like loyalty, tradition, and the just price clashed with the values of the market. Even today, such tensions arise. Nobody will object when producers of ice cream offer their product for sale on the market, or when people offer their services on the labor market, but selling children is taboo (see Zelizer 1985) and so is selling one's organs or, in Europe, selling one's blood.

Apparently, we judge the market sphere to be inappropriate for certain goods. Think of friendship or love. Pricing such goods can devalue them (Klamer 1996). Put a price on love and it turns into prostitution. Frey speaks in this case of a crowding-out effect. But pricing can also increase the value of a good, as in the case of our old cupboard. In Frey's terminology, this would be a crowding-in effect. The point is that market transactions can be value laden in and of themselves and thus affect the process of valorization.

Government transactions are embedded in an entirely different sphere. Here the main characters are the bureaucrat, the civil servant, the politician. Dominant values are solidarity, allegiance to the collective, equity, democracy, national identity, and the like. Engage with the government, and your conver-

sations will become quite different from those that the market sphere engenders. The rhetoric, for one, is different. In the government sphere, one is in need of arguments that appeal to the principles of justice or evoke the value of the collective (as national identity)—none of which arguments would be very persuasive to participants in the market. One also needs to know how to play the bureaucratic game by taking its procedures very seriously (Hutter 1996). When the rules leave space for interpretation, lobbying key players in the political process is called for. That, too, requires special social and rhetorical knowledge and skills.

Let entrepreneurial types talk about the government sphere, and they will describe the difference from the market sphere. Likewise, bureaucrats will gladly reveal their qualms about entrepreneurial life, thus attesting to its differences with their life.

The third sphere is again another matter. The principle of reciprocity may require more personal involvement than is necessary in the other two spheres. Transactions in this sphere demand interpretive skills so that the nature of the reciprocity can be known. (For instance, what can you expect from a friend who is asking a big favor?) Gift transactions evoke values like loyalty, partnership, friendship, and responsibility. Surely the conversations that surround these transactions are, again, very different from the conversations engaged in by bureaucrats and self-interested market participants. In soliciting donations, we may have to appeal to certain ideals or to "higher" values than those recognized and identified by the other party. We may make use of personal connections and so appeal to loyalty or friendship.

Some goods lend themselves much better to this sphere, whereas others are better transferred into the other two spheres. Friendship is the obvious example. To what extent artistic products or heritage goods are best valued in the third sphere remains an open question. We would argue that when values like connectedness, responsibility, and identification are desirable, the third sphere is the best option. If the choice of consumers is the dominant concern, then the market would be the best option. When a sense of solidarity or collectiveness is at stake, the government sphere is perhaps best. The third sphere appears to be pivotal in the "provisioning" of social life. Just think of all the interac-

tions among friends, family members, and colleagues.¹³ A lot of art is produced and exchanged in this sphere, as when partners or parents provide the means to artists, or when artists themselves forsake other opportunities for the sake of making art. Among fellow academics, gifts are the common currency. Colleagues comment on our papers without expecting payment. In fact, offering to pay for comments would be absurd and suspect.

A common criticism that we receive regarding this model is the generally positive description of the three spheres. The description of the third sphere, especially, runs into strenuous objections. The third sphere would be suffocating for those who seek individual freedom, some people object; it engenders a sense of dependence, as in charity. We counter that each of the spheres can devolve into excesses. The market sphere can be ruthless and too objectifying; the government sphere can be too bureaucratic and anonymous. The third sphere can be the site of repression, dependence, and charity in the negative sense.

The point is not to opt for one sphere over another but to judge in each instance which sphere would be most pertinent. Pricing the heritage good has consequences, but so does an application for government subsidy or the solicitation of gifts.

MATCHING VALUES AND FINANCIAL ARRANGEMENTS

We return to the immediate issue at hand: the valuation and valorization of cultural heritage. The preceding discussion defines the critical question as: Which financial arrangement(s) is/are most appropriate for specific heritage goods? When are market-type arrangements effective, and when are government interventions called for? Surely, people in the heritage field are used to asking these questions, although we hope to have clarified that the answers matter both to the economist and to the culturalist sides of heritage conservation issues. This three-spheres model, however, points at a real alternative—financing that pertains to the third sphere, as through gifts and volunteers.

In case the reader is inclined to dismiss the last option out-of-hand for being unrealistic, we present some data that reveal significant activities in the

third sphere. Box 6 describes the situation in the Netherlands and shows the relevance of the contribution of voluntary labor to the cultural heritage (see Appendix 2 for more information). This information suggests that a major part of the valuation of cultural heritage needs to be realized in the third sphere. That is why we need to take the third sphere into account when considering the values of cultural heritage.

In terms of our framework, these data imply that some combinations of values and financial arrangements are more obvious and more unproblematic than are others. Conversely, some combinations are problematic or are simply unacceptable. Why do churches with cultural treasures not charge a fee, as the market sphere would dictate? Instead, they stay within the third sphere by asking for alms or contributions. The answer is likely that church authorities consider market-type arrangements inappropriate when it comes to entrance to the house of God.

The royal palaces in England, on the other hand, charge a fee, and they can do so, as large numbers of tourists are eager to visit them even at a price. Being tourist attractions, they can apparently operate in the market without compromising, in a serious way, values like national identity and accessibility to all citizens. English Heritage has to rely on government subsidies because so much of what it does, like research, will not be financed in the market and probably is difficult to finance by appealing to the caring citizens. The National Trust does rely to a great extent on gifts, and it can do so, since it can offer its members (besides participation in a good cause) access to heritage sites all over the country for a reduced fee. Memberships do not make sense for the royal palaces, however.

Apparently, particular values match best with one financial arrangement or another. When national identity is at stake, public funding or possibly donations may be called for—not a commercial form of financing. Entrance fees for royal palaces signal their tourist value more so than their value as symbols of national identity.

Figure 2 (see page 53) gives an overview of possible combinations. The left side identifies values of cultural heritage that we have found in culturalist discourse. The three spheres are on the right side. In the middle is the “matching” box. How the matching

Box 6. The importance of voluntary labor for the cultural heritage sector, Netherlands.

In 1994 a private consultancy firm explored the contribution of voluntary labor to the heritage sector in the Netherlands. Voluntary labor proved to be substantial. The total amount of voluntary labor is as large as 6% of total professional labor. The number of people engaged in it is more than half of the labor population, and it takes up to one-third of the population between 15 and 64 years of age.

| | <u>Labor years</u> | <u>Number of people</u> | <u>Average size of job</u> |
|------------------------|--------------------|-------------------------|----------------------------|
| Total labor population | 5,300,000 | 6,300,000 | 0.84 |
| Voluntary labor | 300,000 | 3,370,000 | 0.08 |

A second finding is that voluntary labor is relatively more important for the heritage sector. The number of volunteers is higher than the national average, and they spend (relatively speaking) more time on it.

| | <u>Labor years</u> | <u>Number of people</u> | <u>Average size of job</u> |
|-----------------|--------------------|-------------------------|----------------------------|
| Professionals | 5,000 | 6,400 | 0.78 |
| Voluntary labor | 2,800 | 21,200 | 0.13 |

Heritage organizations usually explain the large share of voluntary labor by stating that their activities would become unaffordable if they had to rely entirely on market arrangements. To see how big this share would be, we use the wage equivalent of voluntary labor. For the sector of monuments, the wage equivalent of voluntary labor is sometimes even larger than the wage sum paid to professionals:

| | <u>Professional labor (in million \$)</u> | <u>Voluntary labor (in million \$)</u> |
|-------------|---|--|
| Museums | 115 (73 %) | 42 (27 %) |
| Monuments | 18 (35 %) | 33 (65 %) |
| Archaeology | 6 (67 %) | 3 (33 %) |

Source: *Vrijwilligerswerk in toerisme en cultureel erfgoed* 1994.

occurs and when which match is optimal can only be a subject of speculation right now. Further research needs to focus on actual cases to determine patterns. In the following section, we indicate a few factors that research and case studies may want to take into account.

HINTS FOR FURTHER RESEARCH

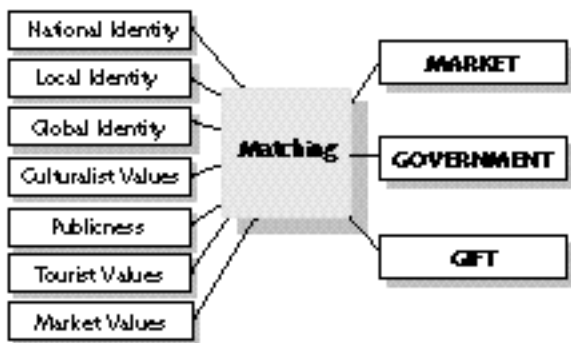
Stakeholders

An analysis of a specific situation requires, first, that interested parties be identified. Which parties care,

and which parties are willing to pay, or to pay a visit? The parties directly and indirectly involved in financing a heritage good may be many, each with a different stake in the good. Throsby provides a list of possible stakeholders (Throsby 1997a:24-25):

- *Consumers*: “those who enjoy some direct private (excludable) benefit from the heritage item(s) under consideration”;
- *External beneficiaries*: “those who enjoy some beneficial externality or (nonexcludable) public-good benefit from the item(s)”;

Figure 2. Matching of values and funding.



- *Supporters*: “those who enjoy some direct cost associated with the heritage item(s), for example, through contributing personally to the cost of upkeep, renovation, and so on”;
- *Public support*: “those who bear part of the cost of upkeep, renovation, and so on, when that cost is borne collectively—for example, through tax expenditures”;
- *Caretakers*: “those who assume or are charged with the responsibility of making decisions relating to particular heritage items or to cultural heritage matters (such as heritage policy) more generally.”

The list confirms an earlier remark that in the provisioning of heritage goods, those who benefit may be different people from those who pay—or, again, different from those who care. From the perspective developed here, the list is not entirely satisfactory. Economic motives prevail. In addition, we might want to distinguish stakeholders on the basis of the values they represent and propagate. So there would be stakeholders who stand for national identity or for local identity. Conservationists or culturalists who claim an intrinsic value for cultural heritage may be distinctive stakeholders as well. In general, stakeholders stand for a particular connection between heritage values and funding values—that is, they embody a particular match. The National Trust in England embodies culturalist-values-cum-reciprocal-values or, on other occasions, that of local identities and membership relations. A market arrangement may benefit tourists and shop owners while hurting those who stand for cultural values. When we explore a particular financial arrangement, we

may want to investigate how it affects the relevant stakeholders in that case.

Types of Goods

Another useful distinction to take into account concerns the types of heritage goods involved. The same physical object may turn into another good as soon as its heritage value is recognized. The leaning Tower of Pisa may first have been heralded for its remarkable architecture and its contribution to the local identity. It gradually changed into a national symbol and an object for the tourist gaze. From a local tower, it changed into a symbol and object of satisfaction.

In standard economic accounts, heritage is seen as either a private good (which can be sold on the market) or as a public good (calling for governmental support). Although it is doubtful as to whether this distinction holds up, it at least shows that there is sometimes a firm connection between the way goods are perceived and financial arrangements. Once placed in a market setting, a heritage good becomes like any other commercial good, and it will be treated accordingly.

Types of Processes and Rhetoric

The three spheres represent three different processes; further research is needed to better characterize and identify them. The market is essentially a decentralized process. Although there are central loci (marketplaces), the actions of people are not coordinated in advance. When the market gets hold of a heritage good, value generation will be a decentralized process. Government processes are typically centralized, in the sense that an authority or a bureaucratic body cares and provides. Processes in the third sphere will be mainly social and involve extensive network relations.

These differences are reflected in the manner of talking and communicating in each sphere—that is, in their rhetoric. People in the market talk differently from those operating in the third sphere or in the government sphere. In the market, the talk is about customer satisfaction, products, efficiency, management, marketing, prices, profit, freedom, and entrepreneurship. In the government sphere, other notions dominate, like procedures, rules, regulations, five-year plans, solidarity, national interest, jus-

tice, equity, and control. For the third sphere, the important terms are intrinsic motivation, values, loyalty, responsibility, connections, doing and feeling good, partners and friends, trustees, and volunteerism.

CONCLUSION

Whether a cultural approach to economics will bridge the gap between economic and culturalist discourse remains to be seen. This paper at least shows that values matter in an economic analysis of cultural heritage, including the values that culturalists highlight. In addition, the paper stresses the importance of the particular financial arrangement chosen. How a heritage project or good is financed matters for the various stakeholders. The valuation (an economic process) may affect the valorization (a cultural process).

As the third sphere usually does not receive the attention it deserves, further research should focus on the effects of financial arrangements that bypass the government and market spheres. Especially when the responsibility of stakeholders and their identification with a heritage good are considered to be important, gifts, contributions, and volunteer work may be the superior financial arrangement.

Sensitivity for the many different values involved and the possible financial arrangements is important for a variety of reasons. It guarantees, for example, a better understanding of the frictions and conflicts in the field of cultural heritage. Furthermore, it broadens the economic perspective on the value of cultural heritage. This broader perspective may stimulate more specific and nuanced policies for the heritage and clarify the different financing arrangements open to conservation advocates, thus strengthening society's capacity for valuing and conserving heritage.

Appendices

Appendix 1: Funding Organizations for Cultural Heritage, UK, 1994

| | £mln. | \$mln. |
|--------------------------------------|-------|--------|
| PUBLIC SECTOR | | |
| Department of National Heritage | 191.7 | 314.1 |
| English Heritage | 104.4 | 170.0 |
| Memberships and donations | 3.6 | 5.9 |
| Business | 13.7 | 22.3 |
| Total | 121.7 | 198.2 |
| | | |
| Scottish Office | 34.6 | 56.3 |
| Historic Scotland | 31.4 | 51.1 |
| Income from properties | 7.7 | 12.5 |
| Total | 39.1 | 63.6 |
| | | |
| Welsh Office | 16.5 | 26.9 |
| Cadw | 15.2 | 24.8 |
| Income from properties | 2.7 | 4.4 |
| Total | 17.9 | 29.2 |
| | | |
| VOLUNTARY SECTOR | | |
| National Trust | | |
| Membership | 41.8 | 68.1 |
| Income from properties | 52.7 | 85.8 |
| Nonspecified (gifts, legacies, etc.) | 33.1 | 53.9 |
| Total | 127.6 | 207.8 |
| | | |
| National Trust of Scotland | | |
| Membership | 2.5 | 4.1 |
| Income from properties | 2.2 | 3.6 |
| Gifts | 22.2 | 36.2 |
| Total | 26.9 | 43.9 |

Source: Casey, Dunlop, and Selwood 1996.

Voluntary Labor for Cultural Heritage

In qualitative terms, the study on voluntary labor in the Netherlands' heritage sector also provides a number of insights about the values behind the gift of voluntary labor:

- The development in the employment of voluntary labor changes over the life cycle of an organization.
- The existence of different types of labor and the employment of voluntary labor. The most important types of labor: visitor services, maintenance, and administration and management.
- The employment of voluntary labor is most successful when it takes the following form: when it is project-based, when it has a local orientation, when it draws on affinity with personal interests, and when it relies on entrepreneurial spirit.

The following motives for doing voluntary labor were mentioned:

- Larger museums: engagement with the museum or collection, social recognition, status.
- Smaller museums: personal collection interests, recognition as a collector, contact with like-minded persons.
- Monuments: ideals, social recognition, status, concern for local history.
- Archaeology: recognition, labor skills for paid labor, meaningful leisure activity.

Organizational motives for employment of voluntary labor:

- Constitutive for activity: in some cases, the employment of volunteers is an integral part of the organization. For example, Friends of a museum or organization.
- Lack of resources: volunteers are employed because otherwise tasks could not be performed because of a lack of resources.
- Price reduction: the employment of volunteers is motivated in order to charge lower prices. However, cost structures and retail prices are often unconnected.

Consequences of the employment of voluntary labor:

- Differentiation of the good: the employment of voluntary labor leads to a differentiated type of good. Tours given by a professional art historian differ from one by a local collector.
- Innovations: the employment of voluntary labor is likely to lead to the development of new types of goods.

The employment of volunteers has a number of advantages:

- Motivated/engaged: volunteers are, in general, highly motivated and engaged with the matter.
- Flexible: volunteers are usually more flexibly employable.

The employment of volunteers has a number of disadvantages:

- Non-obligatoriness: voluntary support cannot be enforced. Due to its voluntary character, it lacks continuity.
- Lack of expertise and customer directedness: in some cases, volunteers have not been able to develop sufficient expertise and attitude required for a number of tasks.

The simultaneous employment of voluntary and paid labor in one organization tends to develop a dynamic in which paid labor drives out voluntary labor.

Types of organizations:

- Professional organizations employing volunteers: examples are larger museums.
- Voluntary organizations employing paid labor: example is the hiring of specialists or caretakers.
- Voluntary organizations run by volunteers: examples are smaller preservation societies.

Source: *Vrijwilligerswerk in toerisme en cultureel erfgoed* 1994.

Notes

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- 1 To be more precise, policy makers actually constitute a third type of player. It suffices to see them as specific combinations of the economist or culturalist characters. Although their role is significant, for analytical purposes, we confine our account to discussing only the first two.
- 2 For the same reason, we exclude a vast and growing literature on tourism and the heritage. Other sources are reports on specific projects and policy studies. Apart from the fact that these are less available, their scope is usually restricted to the immediate (investment or conservation) goals they are meant to serve. For a valuable overview in the British context, see Allison et al. 1996.
- 3 An opportunity cost is the (imaginary) cost of not using resources (tools, labor, or financial assets) for another purpose. For instance, rather than investing money in a heritage project, there is an imaginary cost associated with the alternative option of having put those resources in bonds to earn economic interest instead. The forsaken opportunity is an opportunity cost.
- 4 Hutter cites the art historian R. Samuel 1994 *Theatres of Memory, Vol. 1: Past and Present in Contemporary Culture*, London: Verso.
- 5 For more information on the subject, see P. Bohm 1979 Estimating demand for public goods: Why and how, *Scandinavian Journal of Economics* 81:135–51. See also D. Throsby 1984 Measure of willingness-to-pay for mixed goods, *Oxford Bulletin of Economics and Statistics* 46:279–89.
- 6 This has been done for recreation sites by Brown and Mendelsohn 1984 The hedonic travel cost method, *Review of Economic Statistics* 66:427–33.
- 7 Recall that the concept of willingness-to-pay can be used for describing both actual behavior and behavior in hypothetical situations.
- 8 An interesting study in this respect is: Seip, Kalle, Strand, and Jon 1991 *Willingness-to-Pay for Environmental Goods in Norway: A Contingent Valuation Study with Real Payment* Oslo: SAF Center for Applied Research, Department of Economics, University of Oslo.
- 9 Put in terms of CV studies the WTA of the removal of a piece from the national patrimony is higher than the WTP for a piece that is not yet part of the collection of a country.
- 10 For more information on special tax arrangements for cultural heritage, see Netzer 1997.
- 11 The work of the GCI in general and of this conference in particular is perhaps a notable exception to this point. See also the Getty Art History Information Program 1996.
- 12 Another reason may be that the analytical framework of the economics of cultural heritage was borrowed from environmental economists. The immovable heritage has much in common with the natural heritage. Since there is no “natural” equivalent of the movable heritage, these matters have undergone less development.
- 13 To see this, one only has to think of the numerous sectors of economic life where production and distribution do not take place along the measurable lines of the market or the government. A thought experiment suffices to make this clear. Imagine what it would cost if the following were to be produced on a paid basis: household work (cooking, cleaning, maintenance), care for a family (children, the elderly, the sick), amateur sports clubs, music groups, churches, neighborhood watches, social welfare, action and pressure groups, councils, and so on.

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