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# Preface

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## AIM OF THE BOOK

Cultural heritage is an old concept, yet of topical interest. The appreciation of heritage is widespread in modern societies as shown by the growing concern for its conservation, by the enlargement of the scope of what is considered cultural heritage and by the increasing attention given to its economic and social effects. These issues have a marked international dimension, as testified by the role of supranational institutions such as UNESCO (United Nations Educational, Scientific and Cultural Organization). They also exhibit different 'nuances' across countries, depending on their economic development, their institutional features and, also, on the notion of cultural heritage in place.

Trying to pin down the concept of heritage is not an easy task since it refers to a list of heterogeneous items, ranging from tangible (immovable and movable heritage) to intangible heritage, such as archaeological sites, historical buildings, monuments, museums and their collections, libraries, archives, oral traditions and expressions, rituals, languages and social practices, knowledge and skills recognized as part of cultural heritage by communities, groups and individuals.

We are aware that cultural heritage is a complex and elusive concept, changing constantly through time, combining cultural, aesthetic, symbolic, spiritual, historical and economic values. The fact that cultural heritage is a blurred concept also emerges from the different definitions provided across chapters, ranging from 'polysemic notion' to 'multidimensional social construction' or 'process and experience', to quote just some of them. Cultural heritage also faces increasing challenges. Threats as well as opportunities derive from several sources: environmental deterioration, globalization, technological changes and financial constraints are some of the factors that may affect the capability of cultural heritage to exist, to maintain its diversity and to contribute to the economic and social development of societies. Indeed, the same way of conceiving the function of cultural heritage has changed through time: from the acknowledgement of the importance of cultural heritage 'per se' to the enhancement of its relevant, though sometimes controversial, instrumental role for economic and social development. Because of such a complexity, various professionals and experts belonging to different disciplines need to be involved:

archaeologists, arts historians, architects, librarians, economists, information and technology professionals and others have a role, each in relation to his/her specific expertise. Indeed, as several chapters highlight, the coexistence of different disciplines is a challenge in itself. It may sometimes generate tensions among the different groups involved in policy design and in the governance of heritage organizations, and calls for the exchange of ideas among people with different backgrounds.

This handbook aims to stimulate such a dialogue using cultural economics as the theoretical framework. Questions related to the conservation, management and enhancement of cultural heritage are not new in cultural economics. What might be considered a distinctive feature of this book is its multidisciplinary approach. Such a broad view takes into account the peculiarities of heritage as a policy area where cultural and economic values co-exist. It can be helpful to reduce the scepticism against what can be perceived as an undue intrusion of economics into the cultural domain, facilitating the dialogue across disciplines. Hence, the bulk of the chapters is constituted by economic papers and next to them contributions from experts (archaeologists, architects, information and technology professionals) are presented to show how challenging, though crucial, the dialogue across disciplines may be.

The audience that the handbook targets, thus, is a wide one composed of students in economics and economists who are not familiar with the economics of cultural heritage, as well as of practitioners and professionals of the heritage sector. We think that the latter, in their daily activity, might find this handbook an interesting source of information and inspiration, and might acknowledge the utility that economics can have for cultural heritage. As a consequence, theory and practice do not remain separate and the relevance of the former for the design of cultural policies as well as for the everyday activities related to cultural heritage can be enhanced.

Being aware of the complexity of the cultural heritage field, and without claiming to offer an exhaustive picture, we have chosen to combine theoretical contributions, investigating economic issues related to cultural heritage in general, to more specific ones referring to particular types of heritage. The case studies in the last section of the handbook illustrate the link between theory and practice. The core of the analysis deals with tangible immovable heritage with the awareness that many issues apply to all 'types' of heritage. We have also included chapters referring to intangible heritage, movable heritage, libraries and museums in order to highlight those features, which are specific to these kinds of heritage. Having briefly sketched the mission, scope and approach of the book, in the remainder of these introductory notes, we offer a short overview of its content outlining

the main economic issues. A rich bibliography is offered throughout the chapters and, therefore, no references are included here.

## CONTENT OF THE BOOK

Cultural economics has a longstanding tradition. The scope of this field has evolved since its beginning, moving from the study of the 'arts', i.e. heritage, visual arts and performing arts, to the much broader field of 'culture', with an increasing interest for the production, distribution and consumption of a wide set of cultural goods and services, ranging from the arts to broadcasting or internet. The widening of the scope of cultural economics has seen an increase of the attention paid to cultural/creative industries. This, sometimes controversial, term refers to almost all 'forms' of art and culture including cultural heritage. The link between the latter and cultural/creative industries becomes evident when taking into consideration technology. In fact, it is not by chance that this topic is mentioned in several chapters and that an entire section analyses the interaction between the various types of cultural heritage and technology.

In cultural economics a basic point is that the production of heritage goods and services, as any other good and service in the economy, has an opportunity cost since it implies the allocation of resources that could be used elsewhere. A relevant question is whether the market is capable of ensuring a socially desirable output of goods and services related to cultural heritage. The conventional answer is that market fails: externalities, the public good nature of cultural heritage, the merit good concept, non-use values are used to justify public intervention. As Benhamou points out, this is a well-established tenet in the literature, though increasingly controversial. In practice, government intervention, through direct and indirect spending as well as regulation, is widespread. Still, the desirability of specific policy tools and the efficiency and effectiveness of the intervention itself cannot be taken for granted. Public intervention is neither always efficient nor unavoidable and there is not a unique model for its implementation. Indeed, as Klamer et al. show in their survey of heritage policies in Europe, governance of cultural heritage activities relies on several public organizational models and on different combinations of policy tools across countries leading to a variety of public-private patterns. The content and the effects of government intervention are influenced by factors, which are behind public decision-making process. Holler and Mazza investigate how difficult it is to aggregate individual preferences in collective decisions and to what extent decision-making is self-referential, i.e. supply-oriented, because of the relevance of asymmetrical

information. In this respect, decentralization, implying increased political participation, might reduce information problems.

In fact, the role of experts is a leading theme in the analysis of heritage public policies. From different perspectives, several contributors acknowledge the fact that experts enjoy an informational advantage and act as 'gatekeepers' with the consequence that decisions about heritage can be considered a matter of discretion. Through regulation (i.e. listing), experts affect the stock of heritage both in quantitative and qualitative terms and their decisions on the type of conservation impact on the allocation of resources in the field. The specific example of Panmure House in Edinburgh, investigated by Peacock, shows how influential experts' opinions are, generating conflicts between the objectives and the priorities of different public offices (rehabilitation allowing reuse vs. maintenance of the original status, use for educational scopes vs. preservation) and at the same time it shows how important public opinion can be.

Public intervention still dominates the heritage field, especially in Europe, but one must not forget the importance of the private sector. The stance adopted by government and the mix of policy tools affect the role of individuals, associations, for-profit and not-for-profit organizations. On the demand side, Ateca Amestoy highlights that, due to the extension of education, the changes in leisure patterns and the increasing role of communication technologies, a 'democratization' of the participation in the heritage sector is occurring. Information about the determinants of individuals' demand and appreciation of cultural heritage is necessary and useful to define policies. On the supply side, as Seaman points out, individuals, organizations, foundations have often-direct responsibility and property rights that might conflict with public intervention and, therefore, need to be regulated. On the other hand there is a widespread consensus that private actors are a vital complement to public ones in heritage conservation, management and enhancement, especially in an era of public budget stringency. Government can try to 'crowd in' private actors, but to what extent this occurs depends on the policy tools adopted. Indirect public support to private investment through tax incentives is considered a policy tool potentially effective to stimulate participation by private individuals, companies and organizations and it is quite widespread in the developed world, with different approaches. As Revelli highlights, however, the efficiency and effectiveness of tax incentive schemes cannot be taken for granted and empirical research is needed. The welfare consequences of such schemes have to be evaluated considering the direct and indirect benefits as well as the financial and administrative costs and the investment allocation distortions they can generate.

Public intervention also affects the circulation of heritage at the

international level. For instance, as Ginsburgh and Mairesse illustrate, this is evident when thinking about illegal trade of heritage: de-accessioning, which is impossible in most countries, might be helpful, among the other things, in reducing illegal circulation and preventing looting. Regulation also influences the circulation of heritage items, limiting their exchange on the international market or the possibility that they will be sent on tour to exhibitions abroad. Differences among countries confirm how discretionary decisions in heritage matters are. Regulation also affects heritage at the supranational level, as Frey and Steiner show through investigating the pros and cons of the UNESCO World Heritage List. They offer evidence that the selection process is driven by discretionary criteria and is affected by differences across countries. Hence, the List might not necessarily be the best tool for the protection of world's heritage in all the circumstances. Supranational institutions, such as UNESCO, the Organisation for Economic Co-operation and Development (OECD) and Eurostat, are also active in the collection and provision of data. However, as Deloumeaux illustrates, despite their efforts, we still experience a lack of reliable and comparable information about the economic and institutional features of cultural heritage activities. Such a weakness appears in the comparison of policies as well as in the evaluation of the economic effects of heritage.

The need for information is also crucial when dealing with heritage at micro level from a managerial perspective. As Colbert suggests, internal information as well as the analysis of audiences are useful tools for the marketing of cultural heritage organizations that need to emphasize the uniqueness of their 'product' in their struggle to get attention from visitors, sponsors and the public sector. Since these organizations are constantly confronted with the environment and with other institutions, as Castañer highlights, their scope and mission are changing through time. The increasing attention given to budget rationalization as well as customer orientation require cooperation between managerial professionals and heritage experts.

The scope and the mission of cultural institutions are also changing because of technology which impacts on demand and supply of heritage in various ways. As Navarrete outlines, new digital exchangeable heritage products are created and consumption possibilities are enhanced; in fact, the constraints deriving from producers' physical location are relaxed and users can also participate in the production process. At the same time, Paolini et al. suggest that technology, in its various forms (websites, mobile applications and virtual worlds), affects the visibility of cultural organizations, generating a 'technological divide'. The use of internet and mobile applications leads to new business models and cultural products; however,

long-term benefits can follow only if technology is embedded in the overall strategy of cultural institutions. Libraries offer a peculiar example of the relationship between cultural organizations and technology. According to Salaun, in fact, they have demonstrated the capacity to cope with the challenges deriving from technologies through time, transforming them into opportunities, yet maintaining their core features, if not using them to shape technology itself. Technologies can even substitute for the 'real' heritage as evidenced in the case of the Daming Palace at Xi'ang presented by Forte. It is an innovative, though controversial, example where integrated technologies are successfully used to manage and communicate the site. However, such an outcome strongly relies on a specific conception of conservation and enhancement of heritage, based on reconstruction and replicas for entertainment, which is not accepted everywhere.

In fact, there are several options of intervention on historic architectural and archaeological sites, with different impact on their integrity, ranging from *laissez-faire* to new additions, as illustrated by Stubbs. The decision of what to conserve and how is also affected by the presence of specialized interests in heritage protection, it rarely leaves space for economic reasoning and may lead to a lack of long-term sustainability. Legally imposed standards, guidelines and good practices are useful, though controversial, tools to balance such an influence. From a different perspective, similar suggestions emerge from the empirical investigation of public spending for conservation in Italy, carried out by Guccio and Rizzo. It emerges that the high degree of specialization of contracting authorities may have a negative impact on the control of public spending and some form of benchmarking to orientate practitioners and professionals is called for. When focusing on archaeological sites, as Demas and Agnew outline, specific conservation and management issues arise in the light of the new and old threats (wars, tourism, looting, environmental threats) archaeological sites face. Conservation refers to the site and also to the excavated artefacts; it is claimed that the uniqueness of every site prevents the adoption of a standardized approach. The many archaeological sites located in developing countries call for special attention since the institutions responsible for heritage need to be reformed to deal with the complexity of sustainable management and citizens and advocacy groups appear to be weak. Different issues arise when market effects of conservation policies are examined. The impacts – on the price of preserved property, on its neighbours, across the entire estate market – predicted by economic theory are overviewed and critically analysed by Noonan. Looking at the United States, some of these effects are ambiguous and a closer empirical investigation with a wider international scope is needed before assessing whether they increase social welfare or are merely distributive.

From the above analysis of conservation, it is clear that possible frictions arise between preservation and reuse and, more generally, whenever the instrumental role of conservation to foster development is considered a priority. Ashworth analyses the light and shadow behind this role. The effects of heritage on development are ambivalent. On one hand, heritage conservation may generate restrictions in the capacity of cities to change; on the other hand, it can play a positive catalytic role because it makes places more attractive, shaping their identity. However, whether heritage is chosen as a goal or as a tool for local economic development is an open question depending on the political decision-making process. Among those stressing the instrumental role of heritage, there is a widely shared acknowledgement of the positive relationship between cultural heritage and the tourism industry. However, this relationship can be virtuous or vicious, with different features between developed and developing countries, as noted by Bonet. The sustainability of cultural heritage tourism relies on the physical and symbolic conservation of heritage, the quality of the experience of visitors and tourists and the quality of local community life and development. Positive and negative effects of heritage tourism need to be assessed case by case, depending on the specific context, to avoid overestimating its impact.

How difficult it is to fulfill expectations on the effectiveness of policies using cultural heritage for development and to assess which conditions are relevant is explored in the case studies. Rojas illustrates four cases (Oaxaca, Quito, Salvador de Bahia and Valparaiso) on different experiences of urban revitalization through built heritage that highlight the importance of stakeholders' involvement and of the cooperation between public and private actors. The former have the role of leading and coordinating the interventions, while avoiding the risk of crowding out the private sector. The latter generally holds the 'development drive'. The examples, however, far from suggesting a unique recipe for urban heritage preservation projects, stress that a bottom-up approach is likely to foster the chances of success. Such a conclusion is somehow confirmed by the analysis of Abdel Kader et al. on the effectiveness of the Al Darb Al Ahmar and Al Azhar Park projects run by the Aga Khan Foundation in Cairo. The lack of awareness of decision-makers as well as of targeted beneficiaries, and the use of a top-down approach that left out local communities' preferences, needs and cultural and social values are considered the main causes of the poor results scored by the project, despite the huge amount of resources spent. Communities' involvement is also advocated in the design of policies for intangible heritage. Greffe and Cominelli stress the role of intangible heritage since abilities based on the possession of knowledge and practical skills can be a source of development, encourage

creativity and promote diversity. Reference to the past does not necessarily guarantee the future; however, policies involving local communities, holders of intangible heritage, in the promotion of culture and development are likely to strengthen the image of the area. Evidence of the close links between intangible heritage and development is offered by Goto in her analysis of the Japanese intangible heritage policy. These policies stress the 'living' character of intangible heritage and the tight connection with creative/cultural industries, an example being the expansion of the crafts industry based on intangible heritage.

It follows that great, even if controversial, expectations are cast on the capability of cultural heritage to foster local development. However, it is important to stress that public policies imply the use of taxpayers' money. This matched with the asymmetrical information characterizing decision-making, and the fact that heritage services and products are usually not sold on the market calls for some form of evaluation. Evaluation in the heritage case raises specific issues because of the above-mentioned coexistence of different values and the difficulties in assessing them. How to take into account different values is an open and highly debated question even among economists, not to mention across disciplines. The issue is again whether heritage is relevant 'per se' and/or because of its instrumental value. Klamer stresses the variety of values at stake and, aiming at a 'valorization of values', suggests that cultural heritage decisions should be driven by cultural, societal, social and personal values, whereas economic values are only instrumental. Snowball emphasizes that total value consists of both instrumental and intrinsic values, and that focusing on one kind of value, to the exclusion of the other, would produce incomplete results, which may lead to suboptimal decisions about the allocation of resources. The most used non-market evaluation methodologies are presented in a critical perspective outlining their inadequacy to capture longer-term, social values and the need for more descriptive methods. A similar concern is also put forward by Throsby who investigates alternative approaches to assess the cultural value of heritage through objective description and direct and indirect rating. Though the results are based on simplifying and ad hoc assumptions, it is stressed that these approaches might be useful to provide, at aggregate level, an indication of the strength of the perceived cultural value. However, the measurement of the level of cultural significance of heritage items is still an open and challenging issue. Evaluation methods imply different operational problems depending on the object of measurement. Navrud et al. illustrate a case of evaluation of a global public good, the old city of Fes in Morocco, with specific reference to the benefits to foreigners not visiting Morocco. Here, the Delphi method is suggested as a quick and cost-effective way to obtain a

preliminary estimate overcoming the high costs (in terms of money and time) of stated preferences methods, by soliciting the opinions of experts to predict individual preferences otherwise assessed in case a survey was undertaken.

Shifting attention from the macro to the micro level, the evaluation of the performance of cultural organizations is crucial to enhance their accountability and to improve cultural policies. As Blanco et al. suggest, several techniques are available. There are various steps: comparing institutions, investigating the causes of observed inefficient behaviour, identifying the best practices. However, these methods are neither widespread nor easy to implement, among the other things, because data and information are scarce and the definition of outputs is not always clear and measurable, with the risk of not stimulating accountability.

We believe that cultural heritage is a lively, varied and dynamic concept with great beneficial potentialities for the wellbeing and economic development of society, but that such effects cannot be taken for granted. Conservation, management and enhancement of cultural heritage rely on different expertise, are affected by information asymmetry and face new challenges arising from changes brought about by technologies. This handbook intends to show that, in such a context, economic theory, though somehow neglected by experts so far, provides useful methods and tools to address heritage issues at the macro level – i.e. for policy design – as well as at the micro level – i.e. for the single producer. It is fundamental to bear in mind that ‘institutions matter’ and that institutional features affect the relationships between the different actors – public, private, no profit – as well as the ways of producing, distributing and consuming heritage activities and the related economic effects.