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## **VALUING CULTURAL HERITAGE**

### **APPLYING NON-MARKET VALUATION TECHNIQUES AND COST-BENEFIT ANALYSIS TO CULTURAL HERITAGE : A REVIEW OF STUDIES AND NEW APPROACHES**

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What is the economic value of preserving our cultural heritage? How can we value *global* cultural heritage goods, e.g. historical cities listed as World Cultural Heritage Sites? Do the social benefits of preserving cultural heritage outweigh the costs of restoration and preservation? Should we allocate more resources to restore and preserve cultural heritage due to the large social benefits observed in the few existing studies that try to value these goods? Cultural heritage goods are typically public goods, meaning they have two precisely defined characteristics. First, the benefits (values) generated by cultural heritage goods are typically non-rival, that is the benefit enjoyed by one individual does not come at the expense of the next individual's enjoyment. This is in contrast to market goods, where a given unit of the good can be consumed by one individual only. Second, it is often difficult to force people to pay a price before they can enjoy the benefits from the cultural heritage good. Even where an entrance fee can regulate entrance to a building, the non-user benefits accrue regardless of whether they have been paid for. We say that the good, or that enjoyment of the good, is non-excludable. These two conditions lead to a situation where markets cannot be trusted to provide an adequate supply of cultural heritage goods. It is for this reason that such goods are usually provided collectively, either by governments or by groups of people working cooperatively.

The absence of a price means that we cannot observe values for cultural heritage goods directly. Instead, we must, like detectives, look for clues that tell us something about value indirectly. Non-market valuation is a term used to describe a variety of techniques for looking for and interpreting these clues about value for goods that are not traded in markets.

There are two broad categories of non-market techniques: *revealed preference* techniques and *stated preference* techniques. As the name implies, revealed preference techniques involve searching for those clues by examining an individual's past behaviour. One type of behaviour that can be examined is purchases of market goods that are closely tied to the non-market good of interest. The hedonic pricing method uses this approach. A second type of behaviour that might be examined is decisions made on where to go to spend one's free time (e.g. visiting cultural heritage sites). The travel cost method utilises this type of information. Whereas revealed preference techniques make use of past behaviour to calculate how individuals value public goods, stated preference techniques like Contingent Valuation (CV) describe a future change in the quality and quantity of the public good, a program that would provide the change and a method of payment, and ask for the individual's own guess about their behaviour in terms of willingness-to-pay (WTP) to get the change.

In the *first* part of this presentation, non-market valuation techniques that can be used to estimate a monetary value for cultural heritage goods are reviewed. The literature on these techniques is vast and quickly growing, but there are few applications of these techniques to cultural heritage. Based on a review of these studies (Navrud, S. and R.C. Ready (eds.) 2002: *Valuing Cultural Heritage*. Edward Elgar Publishing, UK), the unique challenges and opportunities involved in applying these techniques to the valuation of cultural heritage goods are identified and discussed.

The *second* part of the presentation propose and test a new cost-effective technique for estimating non-use value of a global cultural heritage good is proposed and tested. A unique *delphi technique* is used to estimate the non-use value of a historical city and a World Cultural Heritage Site; the Fes Medina in Morocco. In a two-stage e-mail survey a carefully selected sample of European Environmental valuation practitioners were asked to state their best estimate of mean and median WTP among households in both their own country and Europe to preserve the Fes Medina through a proposed World Bank restoration program. The expected impact of the program on the appearance of this cultural heritage site was described in detail by both text and colour photos. A CV survey of the visitors to the Fes Medina to estimate the use value has also been conducted. Taken together these two studies can be used to estimate the total economic value (TEV) of the change in the quality of this global cultural heritage good. This benefit estimate can then be compared to the costs of the restoration program in a cost-benefit analysis (CBA). The paper concludes with a discussion of the potential role of CBA in cultural heritage management, and provides recommendations for future applications.

