PART II.

II.1. Economic valuation of conservation

Locating poles, axes and impact area
Evaluating direct, indirect and induced effects
Differentiating actors through interdependence levels

99. The quest for economic precision in the impact of the CBH on a given community generally aims at a **monetary estimate**. This may give a stable basis for reflection, comparable to other data in time and space.

100. A first way to achieve this aim is to give an estimate of the **stock value** of the monument, its monetary value as an asset or a real estate property. But, as we have already mentioned, such a price estimate would be valid only if a market existed, which is not the case for most monuments. What price would one be ready to give for Athens Parthenon is a futile question without any satisfactory answer. Clearly another method has to be elaborated.
A stock value based on construction costs is inapplicable in the case of the CBH : the temporal frame is so vast that comparisons are extremely difficult (what did the cathedrals cost ?). Stock value keeps full meaning however in the case of old buildings repeatedly transacted on the real estate market : it then remains a solid evaluation of the willingness to pay for the CBH in one of its functions.

101. We may want to have a closer look at **the impact of the CBH as it is now** : analysis of the costs and benefits generated by the presence and/or utilization of CBH in its current state is usually labeled IMPACT ANALYSIS or value assessment of current CBH. A characteristic feature of this type of analysis is that it involves no decisional process, as there is no rehabilitation project at stake. Referring to a single moment in the long life of the CBH, it simply assesses the **weight** of the CBH in the socio-economic life, and involves a cross-section description of a flow of resources over a period of time. Many examples of impact analysis exist in cultural economics, and an application to the particular case of the CBH can be found in the method developed by LEMAIRE/OST in 1984[28].

102. Another fruitful field of investigation is **the impact of a rehabilitation project** : called PROJECT EVALUATION, this type of analysis involves a decision-taking process, while looking at the costs and benefits that will

[28] LEMAIRE, R.M. et C. OST (1984), *Evaluation économique du patrimoine monumental, Présentation d'une méthode d'analyse*, Rapport CEE, Bruxelles.

eventually be generated by the rehabilitation/restoration of CBH over a given time period.
Several options must then be taken into account : a "do-nothing" option, a "do-minimum" option (i.e. maintenance works that cannot be avoided), and various projects (rehabilitation, restoration, redevelopment) implying various levels of expenses. The problem here becomes a problem of choice between options, involving a ranking of various projects.

103. Both impact analysis and project evaluation rely on techniques aiming at identifying actions, perceptions or attitudes on the site and around the site. This implies a description of economic flows in the impact area, an evaluation of direct, indirect and induced effects, and a differenciation of economic actors.

104. Let us immediately note that the immobility of the CBH makes it a magnet : it is because people **move** towards an interesting historic site or building (in order to visit it, to live or to work in it) that we can speak of commercial spill-overs and multiplier effect. It is the attractiveness of the site that creates the flows of revenues that we would like to measure, and this explains why the CBH can be viewed as an attraction POLE. Clearly, the sequence is as follows : (no) pole, (no) attractiveness, (no) spill-overs. The presence of a **symbolic value** is then the **necessary prerequisite** for an economic analysis of the multiplier effect generated by the CBH.

105. How could we define the pole ?
The concept is envisaged in relative terms : a monument is said to represent a pole in opposition to other monuments which do not. The definition is then based on a comparative analysis of places known as CBH. All monuments are not necessarily poles : we can have a pole (for example Brussels Grand Place) surrounded by other ancient buildings that are not considered as poles (old houses in adjacent streets).

106. Moreover, the attractiveness of a pole is not necessarily connected to its architectural value : more people can be attracted to places comparatively poor from an architectural point of view. Priority is here given to attractiveness, for the important economic spill-overs it generates through the amount of CBH users attracted, not to architectural, artistic value.

Note that we could analyse a monument that is not a pole (for example an isolated castle serving solely real estate purposes), but then the economic significance would be limited.

107. Preservation projects are also said to be acting as magnets : they create new business and stabilize old business by bringing people into a particular area in great numbers. The term "pole" is generally associated with tourist business, but there is a more extensive sense to the word when we think of the new businesses located around. Magnet effects can be measured in terms of greater than average business formation rates on the one hand and lower failure rates in the case of existing business on the other. This permits a separation of the income generated by existing business and the income generated by those who are drawn to the area to make investments. Determination of the poles is then the first step in any analysis of the CBH.

108. CBH can be approached in terms of an architectural SITE. The site can be identical to the pole : it is the case with an isolated monument (ex Stonehenge); its structure is then said to be *unipolar*.
The site can also be constituted of a group of poles in a *multipolar* structure.

109. The AXES frame the site by relating different poles, and can be prolonged outside the site, in what we shall call the "impact area" of the CBH. Axes are the obliged ways through which visitors of the site have to pass : streets, avenues, squares in urban sites; roads, by-roads, communication knots in larger impact areas.
Isolating the axes facilitates the analysis of economic costs and benefits generated by the CBH, as each axis can be treated separately.

110. The IMPACT AREA is the limited zone in which significant economic spill-overs can be detected. Outside this area, these spill-overs can be neglected : no need to say that a careful investigation will be necessary in order to determine this frame of analysis. A convenient analogy would be with the economic Hinterland or zone coming under the economic and commercial influence of an urban, industrial or commercial centre (in our terminology the pole). An architectural Hinterland around CBH will be known as "direct impact area" around CBH.
There is no absolute rule while tracing it : economic impacts do not necessarily propagate in concentric circles with decreasing intensity; they could diffuse further and in other directions than previously thought.

111. As already mentioned before, it is the attractiveness of the site that creates the most easily recognized economic side effects. In order for this attractiveness to exist, the site or monument must be **accessible** to the public. Four degrees of accessibility have been detected :

- internal access to paying visitors
- free internal access
- external access to all visitors
- no access whatsoever.

For more on this see the List of bibliographic references

112. We have so far mentioned benefits that could be derived from the CBH in a quite **direct** manner : visitors pay an entrance fee (real or estimated).
The distinction previously elaborated between pole, site and impact area allows us now to detect what we have called **indirect** and **induced** effects of CBH. We shall see later that these effects operate at various levels of interdependence for the economic agents concerned.

113. Why this distinction ?
We have already evoked the multiplier effect of CBH in Part I.2. It can be compared to the effects generated by tourism, already analysed by many authors[29]. Indeed, visitors make expenditures on transportation, accommodation, food and beverage and other tourist-related services. Part of these expenses will leak out of the circular flow of income in the form of imports and savings, but the remaining portion will be respent in the economy on factors of production. Thus, the initial, or first round of tourist expenditure will generate a second round of expenditure (of a lesser magnitude than the first round) which will in turn generate a third round effect and so on. This process of repercussionary transactions will continue until the amount of expenditure circulating within the economy (as a result of the initial level of tourist expenditure) becomes negligible. The relationship between the initial amount of tourist expenditure and the resultant effect upon the economy is the essence of the multiplier concept. Tourism multipliers can refer to the economic impact of tourism expenditure upon the level of output, income, employment, foreign exchange of the national or regional economy.

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[29] For example, FLETCHER, J. and H. SNEE (1989), "Tourism multiplier effects", in WITT, S.F. and MOUTINHO, L. (eds), *Tourism Marketing and Management Handbook*, Prentice Hall London.

114. The various levels of impact created by the change in tourist expenditure as it circulates throughout the economy, can be subdivided into three distinct categories :

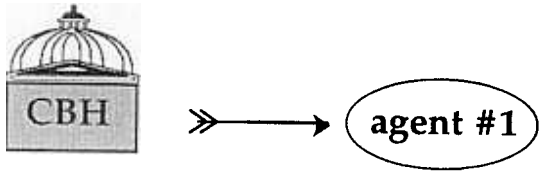
- direct effects : the amount of income (employment, output etc) created in the sector as a direct result of the change in tourist expenditure e.g. wages, salaries and distributed profits in hotels, restaurants and tour companies;
- indirect effects : the amount of income created by the increased expenditure of the tourist sectors on goods and services from their suppliers in the domestic economy (which may, or may not, be directly related to the tourist sectors). The indirect effects also include the effect of the increased demand created by the suppliers to the tourist sector to their own suppliers;
- induced effects : as income levels increase throughout the economy, as a result of the direct and indirect effects of a change in tourist expenditure, some of this additional income will be respent within the domestic economy. This repercussionary effect on the demand for domestically produced goods and services will in turn increase income, output, employment.. .

115. We will now try to apply these concepts (developed for the tourism industry) to the particular case of the CBH. It seems that the CBH (or rather the site defined supra) generates effects implying directly some categories of agents. Going out of the site in the narrow impact area, we shall talk about indirect effects, involving a second degree of interdependence between CBH and agent. Finally, induced effects appear at a third degree of interdependence : clearly, the more we move away from the site, the less important repercussionary effects will be.

It is then necessary to establish beforehand :

- the SITE -----> direct effects
- the "narrow" IMPACT AREA -----> indirect effects
- the "larger" IMPACT AREA -----> induced effects

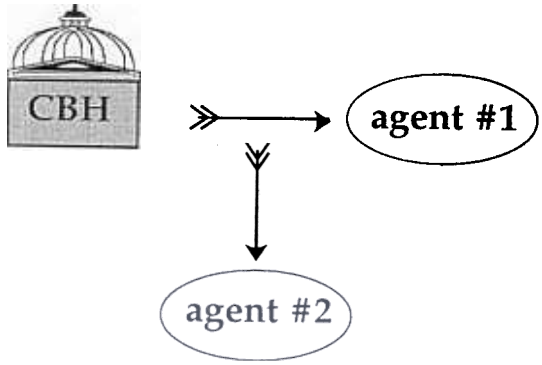
116. Any DIRECT EFFECT implies a direct relationship between the CBH and the economic agent ; it happens on site.



ON SITE

Agent # 1 is the agent most directly in touch with the CBH and affected by its presence and by its different uses. He either lives in it, works in it, visits it or uses it in one of its functions (a library for example). At this first level of interdependence between the CBH and the agent, we could say that the agent receives 100% of the CBH effect.

117. An INDIRECT EFFECT implies the intervention of a second agent at a second level of dependence between the CBH and the agent; it happens off-site, in the narrow impact area.

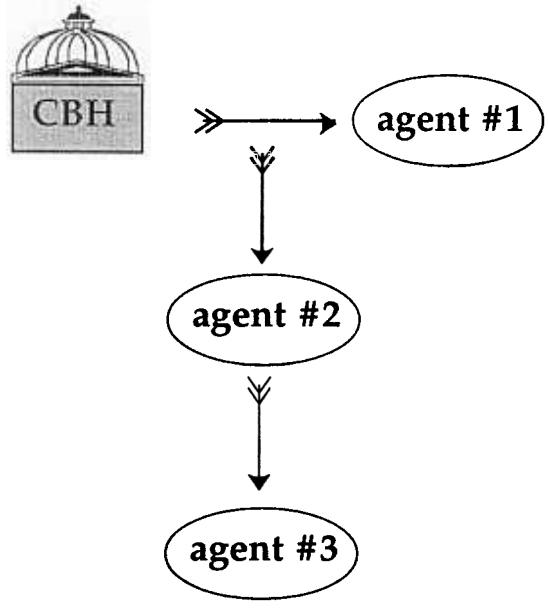


ON SITE

"narrow" IMPACT AREA

Agent # 2 is neither supplier nor demander of CBH-related services, though he can put supply and demand in contact; he is off-site, but his utility is positively or negatively influenced by the presence of the CBH or by one of its functions. By agent # 2 we typically mean the travel agency, the transport company, the tourist guide, the maintenance/conservation specialist, the performing artist, the neighbour, the owner or tenant of shops, restaurants and cafes in the narrow impact area.

118. An INDUCED EFFECT introduces a third level of dependence between CBH and agent, going out of the narrow impact area.



ON SITE

"narrow" IMPACT AREA

"larger" IMPACT AREA

Agent # 3 is the one who, via agent # 2, suffers or benefits from the presence of the CBH in a more distant neighbourhood.
Like agent # 2, he is neither supplier nor demander of CBH-related services. We are here dealing with the effects of business on economic agents up- or downstream, for example employees of travel agencies or transport companies, suppliers and caterers of cafes or restaurants...

119. Combining the tools that we have elaborated so far, that is
I. locating the site, the poles, the axes and the impact area, assessing their accessibility
II. evaluating direct/indirect/induced effects
III. differentiating the actors through interdependence levels
with the commodity/service approach and the symbolic/use values approach described in Part I , we have Figures 1 to 3 see Appendix 2).
Let us immediately note that these figures are still "experimental" which explains that all boxes are not filled.
Broadly speaking, the right-hand column describes the uses for which the CBH has been created (or transformed). The left-hand column represents the "touristic" function of the CBH : each monument is necessarily in the left column (or else it would not be part of the CBH). Some monuments are in the left column only : it is the case for ruins, which do not function in the use that they were built for. The others are in both columns, as the symbolic and use values are intermingled. Note that the boundary between tourism

and, say, cultural uses are sometimes blurred : going to the museum can be viewed as a tourism activity, whereas going to the theatre may not.