The Economics of Cultural Heritage
A tool for understanding the interactions of culture with the economy

A brief introduction

Glafkos Constantinides, MRTP, FRSA
Economist & Urban Planner
ips.planning@gmail.com
Three key economic concepts

✓ The Cost of Inaction: Costs don’t go away, they increase
  - Become unaffordable and decay continues
  - Lower service to society – lower sustainability

✓ Economic Value: Value has to be given an economic meaning
  - Economic value is the value of the investment to get a monument from condition A to condition B

✓ Market(s): Broaden the field we identify benefits
  - Unlock values into revenue opportunities for sustainability
  - Bring cultural objectives to the sphere of public policy
The increasing cost of inaction

Appropriate standard of quality \((of\ service\ to\ society)\)

RISING COST OF INACTION
(higher than the cost of action)
What is value in Economics? Improvement from ‘this’ to ‘that’

Glafkos C
New frontiers in conservation  The sustainability issue

Quality and performance improvements

Investment

Maintenance?

Revenues?

CONTINUITY OF SERVICE TO SOCIETY ??

Othello Tower Famagusta

Glafkos C
The Area / the market

Monuments after investment attractive to visitors but also...

Increased visitor traffic and spending

(1)

Increased business activity

✓ Sales revenue
✓ Income
✓ jobs
✓ Property values
✓ Improved economic base

(2)

Potential for contribution to further heritage investment
(CASE STUDY) City of Split - Diocletian Palace

Identifying and fully valuing the benefits
Economic vision built into the conservation vision to justify the investment

Benefits estimated at **60 million** US$

- 41.0 m. from tourism
- 16.0 m. from residents and
- 3.0 m. from other sources

- Fiscal mechanisms were anticipated to capture benefits for cash to ensure sustainability

- Benefits 5 times greater than the estimated cost of **12.0 m.** US$

Source: S. Pagniola, WB
Valuing all the benefits
Regeneration program of the Medina Palace

Economic policy required to support the programme and the investment

Key results reported by the economic studies:

• **Increase of visitors:**
  Additional 50,000 visitors **625 M** p.a.

• **Increase of interest within the community**
  Local residents: New domestic spending **150 M** p.a.

• **Bottom line** About USD **775.0 M** p.a new money 5 years after completion

Project investment cost estimated at **150.0 M**

Benefit/Cost ratio = 5.1

Source: S. Pagniola, WB
PORTO PALERMO ALBANIA - RAPID ECONOMIC APPRAISAL

ALI PASHA CASTLE

- CAPITAL COST = USD 500,000
- ANNUAL (3-8) EXPENSES = USD 50,000
- REVENUES = PUBLIC SECTOR BUDGET?
- BENEFITS = UNQUANTIFIED CULTURAL?

DOUBTFUL ECONOMIC PROJECT

Proposal
- proper valuation of most off-site benefits against capital cost
- establish on-site ‘revenue centres’ against ‘cost centres’
- Bottom line = saving the project, offering castle to society
- sustainability

Source: Gl. Constantinides

ALI PASHA CASTLE

AYII SARANDA CITY URBAN MARKET
Achieving the ‘quality’ balance
In simple terms / Balancing C & C

Glafkos Constantinides
SIX important principles emerge from applications

✓ Did not confine the identification of BENEFITS / IMPACTS to the cultural sites itself

✓ Looked for the nearest MARKETS (retail market, job market, property market)

✓ Applied RESEARCH METHODS and TOOLS to estimate the SOCIAL VALUE of the investment

✓ Broader VALUATION prevented undervaluation and low FEASIBILITY

✓ Highlighted the applicability of methodologies and tools combining market economics and GOVERNANCE

✓ Created broader scope for PUBLIC PARTICIPATION and URBAN REGENERATION investment
Why it is important to understand the interactions of cultural heritage with the economy?

Because:

(a) Getting closer to source of revenues for better management, governance and sustainability

(b) Improving communication with public policy experts and budget officials unlocking funds

Bottom line: Making culture central to our life and central to the economy
Thank you for your attention

Glafkos Constantinides MRTPI, FRSA
Cultural Heritage Economics

ips.planning@gmail.com