

CRITICAL REVIEW OF THE APPLICATION OF CONTINGENT VALUATION METHOD FOR STUDYING THE PROTECTION OF CULTURAL-HISTORIC MONUMENTS¹

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INTRODUCTION

The economic valuation of our past legacy is an important element of the policy of cultural-historic monuments conservation. During the transition period of the former centrally-planned economies there was strong deterioration of the physical state of these monuments. The present conservation works carried out in conditions of tight financial restrictions strongly needs reliable information of the cost and benefits of conservation. This information is crucial for the formulation of priorities that are to be given to the huge amount of monuments needing restoration. Economic science tries to help this activity by developing and applying various methods of valuation. Among the big variety of methods we can indicate several basic groups: methods of direct measurements, methods based on surrogate or artificial markets, etc. Most of them are regarded as complement in terms of producing alternative valuation.

The economic logic of the applied procedure of valuation is to juxtapose the net benefits of restoration from alternative solutions and to allow ranking the priorities for the most efficient distribution of the scarce financial funds. As it is difficult to gauge all possible costs and benefits of restoration it is common to try to use various methods of valuation and to compare the results in a search of optimal allocation of resources.

Next we concentrate on the application of one of the most popular and controversial method – the method of contingent valuation. Short comment is given on the practical works based on this method as well as on the difficulties and attempts of improvement of its application due to the accumulated experience for more than a decade.

THE METHODOLOGICAL FRAMEWORK

The name contingent valuation comes from the way the method is used for calculating the benefits of a given economic activity. The method is applied mainly in cases when there is no direct or surrogate market for the good of valuation and the only way of valuing is to create an artificial market and in an imaginative way to extract the economic value put on the good by the consumers. As cultural-historic monuments are regarded by economic science as public goods and actually there is no market for them it creates serious difficulties in understanding the very idea of contingency.

There is a need to indicate from the very beginning several important features of the valuation procedure. First of all is the problem of the numeraire to be used. As in the economic studies such a unit of account is the Willingness-To-Pay (WTP) of the consumers to use the good, the consumers often may not understand correctly the idea of the WTP for such public goods as cultural-historic monuments. It is important to note that we are looking only for an economic value, not for how the

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individuals are valuing in general a given monument. No doubt every monument is unique and there is not a monetary equivalent of this uniqueness. Economic value is only expression of the WTP of the consumer giving priorities in his/her limited financial resources to distribute part of them in favour of visiting this monument and increasing his/her overall utility.

The fact that this visit helps to increase the utility in various ways creates some consumer surplus - we are willing to spend part of our money on visiting the monument and as a matter of fact obtain more utility than we have paid for it. There are different consumer surpluses as all the consumers are willing to pay different amount of money to use (consume) this public good. When we sum up all consumers' surpluses of the visitors (actual and potential) we can construct the demand function of the good and to calculate what is called economic value of the good.

There are a lot of biases emerging during the interviewing: the consumer may not express his/her real value for many reasons - attempts to influence the policy by over or underestimating the object, biases are possible due to misunderstanding of the aim of interviewing, the way it is carried out, etc. The whole mastery of the application of the contingent valuation method is to extract the exact value the consumer gives to the monument reducing possible biases of valuation to minimum. As the information is collected by interviewing the consumers, the quality of the questionnaire and the way the interviewing is provided naturally are of paramount importance to have good quality results.

In the initial stages of the application of contingent valuation the economic science formulated the idea of total economic value as a sum of several basic sub-values: option, bequest, existence, etc values. This created impression that the value is not an integer category but is composed of several sub-WTP. Naturally the more sub-values the higher would be the expected total economic value of the monuments. This fact is confusing as the formulation of new sub-values in the next stages of development of the theory of valuation would result in turning the previous estimations as underestimated results. This expectation comes also from the fact that if we construct a catalogue of contingent valuations carried out during the last decades we will see that predominance is given to valuing mainly various sub-values and rarely attempts are made to come to an integrated result. Obviously the researchers intuitively perceive the flaws of this concept and restrict their studies in less ambitious tasks. Such partial achievements are however definitely not sufficient for formulation reliable priorities in funding the conservation works.

For this reasons we experimented various approaches for valuing cultural-historic heritage in an attempt to construct more operative models of valuation. We comment our endeavours next.

PRACTICAL APPLICATION

The first studies of valuing Bulgarian monasteries were organised within the EU funded PECO program coordinated by the late Professor David W. Pearce, director of the Center of Social and Economic Research on Global Environment (CSERGE) at the University College London (UCL). The interviewing and collection of the data took place in January 1997. A random sample of 483 people, representative of the Bulgarian population, was personally interviewed in 17 sampling points across Bulgaria.¹ The questionnaire allowed collecting valuable information not only of the WTP but also a broad data of attitudinal and demographic nature.

The results showed that the majority of Bulgarian population have visited at least one monastery at some point in their lives. The survey showed that 96% of the sample had visited at least one monastery and nearly 40% had visited more than five. Unsurprisingly, the most popular monasteries are the most representative such as the Rila, the Bachkovo and the Trojan Monasteries. Only 12% of the visits were motivated by religious purposes; 20% were mainly for recreation and relaxation; and a majority of 68% visit monasteries because of an interest in Bulgarian history and cultural heritage. We need to note that the time of interviewing was a period of riots against the incumbent socialist

government which ended with its resigning. It created difficulties with the interviewing and had a potential for biased estimations.

Nevertheless, the study showed that on average, Bulgarians attributed a significantly positive value (about 0.1% of per capita GNP) to the conservation and restoration of the Christian Orthodox monasteries. The implication is that damages to these cultural goods are undesirable and that the public would be willing to pay positive amounts to avoid them or to slow the rate at which they occur, despite the country's difficult economic and political situation.

The study helped to reveal important elements of the mechanism of funding the conservation works. Predominance was given to the public subsidy, demonstrating the existence of considerable social benefits. The priority given to subsidising the conservation works in favour of less expensive and more efficient market mechanisms was reflection of the centrally-planned perception of the economy by the interviewees for several decades. As it was indicated in the publications based on the study in a country such as Bulgaria, the presumptive case for state provision was eroded by the risks of state finance, not least the likelihood that heritage may be seen as a 'luxury' item in times of hardship for the public revenues. By this time however it was difficult to look for long-term sustainability solutions based on alternative market financing mechanisms to "appropriate benefits and increase the effectiveness of efforts to protect monasteries".

Meanwhile the studies carried out by experts from various countries allowed formulating economic mechanisms already tested and working well in the more advanced economies. It was indicated that "Any mechanism should bear in mind the heterogeneous distribution of benefits across the population and, particularly, the fact that a significant proportion of the public is not willing to pay for the protection of monasteries. As such, using general tax increases may not be an adequate way of achieving conservation objectives and one with undesirable distributional impacts" (Mourato, Kontoleon, Danchev (2002).

As an alternative the charging for 'use' of the monasteries was outlined as "the clearest way to capture economic value, given their mixed good characteristics". Recommendation was formulated to adjust the self-financing or partial self-financing entry and view charge systems for cultural goods experimented in many countries during the recent years. In particular, the idea of charging different prices for the national and foreign visitors used as a current practice in some monasteries was discussed. The charity activity was regarded as an alternative as for example, the Heritage Lottery Fund in the UK which has awarded by the time of the study more than 600 grants to heritage projects, worth £405 million, which constitutes an enormous boost to the cultural heritage sector (Heritage Lottery Fund, 1997).

The study was useful also as an example of cooperation which had tremendously positive effect for the Eastern European participants in the project allowing them to soak up the inspired atmosphere of the most prestigious universities in Europe and to train themselves in creative application of their experience.

CONSLUSIONS FROM THE EXPERIENCE

Our own experience for more than a decade of valuating various public goods (monasteries, national parks, biodiversity, etc.) by applying contingent valuation revealed several drawbacks of the existing practice. Some of these drawbacks are going to the deep understanding of the very core of value. Most of the formulated sub-values of so called "total economic value" such as option value, showing the WTP of the consumer to use the good as an option of consumption in an indefinite future, the bequest value, expressing the WTP of the consumer to have the good for their children and their children, existence value expressed by the WTP of the consumers just to know that this good exists and so on are difficult to understand by the predominant part of the consumers. In case of cultural-historic monuments most of these values may cause even negative reaction especially in cases of

more sensitive cultures as they are enormously valued by the visitors. During the interviewing the reaction of the interviewees often is negative regarding the questions of so formulated sub-values as a profanisation of the real value the consumers assign to the monuments.

Gradually in our studies we had to alter the common procedure of valuation applying a modified one based on the theory of attributes formulated by the American economist K. Lancaster² according to which we buy good not for themselves but for their attributes. This approach allows to formulate more exactly the attributes of value given by the very consumers and reflects more exactly the motivations of the consumer for visiting cultural-historic monuments influenced by a spectrum of explicit and implicit cultural, religious, aesthetic, etc. emotions they invoke to the consumers.

Instead of total economic values we started to use general economic value, which is different for every individual. The general economic value reflects the value given to the attributes most highly appreciated by the consumers. The new methodology proposes estimation in which the general economic value is calculated as a weighted average of the basic attributes formulated by the consumers. In case of cultural-historic heritage these attributes are mainly motivated by touristic, historic, religious, etc. reasons. In such a way the confusion of asking consumers for often difficult to understand, abstract and formulated outside their own minds values is avoided by allowing consumers to define their own attributes of value and the corresponding WTP for them.

During the Vita Nova II meeting in Klisoura monastery in June 2007 an improvised interviewing took place with the visitors of the monastery during the meeting, which demonstrated the practical application of the new approach to the contingent valuation method. We added to this approach the elements of another method called travel cost methods, which reveals the motivations for visiting monasteries from point of view of the travel cost. Combining the surrogate market (travel cost as a measure of WTP for consuming the good) and artificial market (contingent valuation of the attributes of value) allows to avoid some of the inconveniences of the previous approach.

With expectations this study to carry on in future, the outlined improvements in the procedure were tested and the results could be regarded as successful. Although not statistically representative they demonstrated that the Bulgarian population still puts high value of the cultural-historic monuments and is willing to devote even higher share of income than before for their protection. As before, the basic motivations of visiting cultural-historic monuments were mainly touristic and in less degree historic or religious. The constructed questionnaire combining travel cost and contingent valuation methods as a matter of fact changed the accents in the studying of the WTP allowing firstly defining the attributes of value by every consumer and next asking for the corresponding WTP. The basic conclusion from our experiments is that actually despite the satisfactory results (high value put on the cultural-historic heritage) the valuation needs further improvement. As a complicated psychological interaction between the interviewees and the enumerators it reveals a broad spectrum of details concerning the real perception of the role this heritage plays in the formation of the value system and its transfer to the next generations. Capturing these details can be realised successfully by a multidisciplinary approach and the present initiatives of research programs allow to expect this task turned into reality in near future.

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¹ The survey was implemented by the Bulgarian marketing and economic survey company MBMD. The training of the enumerators and the pre-test of the questionnaire were carried out by the coordinators with special contribution to S. Mourato from CSERGE.