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**The Danish Cultural Heritage:
Economics and Politics**

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ABSTRACT: This paper deals with the Danish cultural heritage understood as the tangible heritage, mainly buildings. The paper briefly describes the political economy of conserving the cultural heritage and the means of preserving it. The main focus of the paper is, however, on the present Danish conservation policy. The paper presents estimates of the costs of preserving the cultural heritage on a national scale. It is concluded that while the level of conservation probably conforms to the wishes of the Danish people marginal decisions are probably misguided. In particular, a detailed examination of the practices of the Danish Conservation Board is presented. The Board is not guided by the recommended cost-benefit perspective but rather in practice devoted to preserving architectural values.

Keywords: cultural heritage, cultural policy, preservation

JEL Classification: Z1

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1. Introduction.

Only in the past decade have questions of national heritage received much attention by cultural economists. Though Alan Peacock is credited with having introduced the subject in 1978, substantial volumes of research have only fairly recently begun to emerge.¹ These volumes are, with Greffe (2003) as a recent exception, typically conference reports comprising fairly brief papers on a specific aspect of conservation. The author's interest centers on the overall conservation efforts of a given country. It is, however, quite complicated to get a survey of the conservation effort in a given country for two reasons. First, many of the documents and data of interest are only available in the domestic language, and second, surveys are not generally conceived and executed from the perspective of economics.

This paper seeks to redress this situation with respect to Denmark by presenting an overview of Danish conservation policy. Section 2 introduces a couple of examples that will underpin the remainder of the presentation. In section 3, a few remarks on methods of conservation will be given. Section 4 draws some general conclusions about Danish conservation policy, and finally an evaluation of Danish conservation policy will be given in section 5.

A few remarks on Danish history are an appropriate way to introduce the body of this paper. Geographically this study covers the current Danish mainland, and excludes the Faeroe Islands and Greenland. Delimiting the borders in question is by no means trivial, as Danish territory has changed (diminished) considerably over the last centuries, as is the case for many other European nations. However, national conservation policies can by their nature only be affected in the current territory, and so it is convenient to regard the present partition of countries in Europe as a starting point. In addition, the conservation problems of Denmark's North Atlantic island territories are quite different from those of mainland Denmark. These outlying areas are very little concerned with preservation of buildings and other structures, focusing instead on more intangible aspects of

¹ See Michael Hutter and Ilde Rizzo (ed.) (1997): *Economic Perspectives on Cultural Heritage*, J.M. Schuster a.o. (ed.) (1997): *Preserving the Built Heritage*, Sir Alan Peacock (ed.), (1998): *Does The Past Have a Future?* UNESCO (2000): *World Culture Report, part 3*, Ilde Rizzo and Ruth Towse (2002): *The Economics of Heritage*, Ståle Navrud og Richard C. Ready (2002): *Valuing Cultural Heritage*, and Xavier Greffe (2003): "La VALORISATION ÉCONOMIQUE du PATRIMOINE". An earlier but slightly atypical work that deals with the problem of conservation in a planning perspective is Nathaniel Lichfield (1988): *Economics in urban conservation*. A bibliography of international conservation efforts is given by Schuster a.o. (1997).

heritage such as lifestyles, language, musical traditions, and myths. This paper deals only with conservation of tangible objects.

Any national conservation policy must account for the history of the nation as well as the climate, among other things. A country enjoying a long history of material wealth will tend to boast a rich cultural heritage. On the other hand wars and revolutions, including religious reformations, usually destroy parts of the cultural heritage. Harshness of climate is obviously quite important for the long run survival of material cultural heritage, though whether the relationship is positive or negative is not always obvious. A rough climate may lead to the rapid deterioration of buildings, but it may also predicate the choice of much more durable local materials.

Denmark has fertile soil and has been inhabited since prehistoric times, as evidenced by the many burial sites from the Iron and Bronze Ages. During the Viking period, some rather impressive forts were constructed, but most survive only as archaeological excavations. Denmark was Christianized beginning in 1100, and more than a thousand small pastoral churches still dot the countryside; these were in fact a major national investment. During the Middle Age some castles were built for the king and nobility, but it should be kept in mind that Denmark was not a rich nation at that time.

In 1536 Denmark converted from Catholicism to Lutheranism. Though the churches were left intact their papist chalk paintings were covered with protestant whitewash so worshippers would not be distracted by these catholic relics. In 1660 the king seized power as a sovereign monarch at the expense of the nobility in a bloodless revolution, and Denmark had a sovereign monarch until 1849 where democracy was granted to the citizens, again without violence or bloodshed.

Denmark has participated in a great many wars, in particular with Sweden, but most of the battles have been either at sea or on foreign soil. Part of Denmark was briefly occupied by the Swedish King Karl XII, but the kingdom was relatively unharmed. Denmark escaped World War I entirely, and incurred only minimal damage under Nazi occupation during World War II.

Dick Netzer (1998) has raised the question of how to measure the wealth of a nation's cultural heritage relative to other countries.² This begs the question of how Denmark ranks among European countries. An off-hand guess is somewhat below average. In spite of having been spared the devastation of two world wars, Denmark has on the whole not been a rich country historically, as evidenced by for instance the total lack of impressive cathedrals that grace Southern Europe. The

² Netzer specifically discusses Italy versus the United States. He also brings up the problem of convertibility among periods of history. How should a large heritage from antiquity be compared to a large heritage from the middle Ages, e.g. Greece versus Spain?

cultural heritage of Denmark comprises a very large amount of fragmented remains from prehistoric times with limited public appeal. The Romans never conquered Denmark, though the Viking empire left some remains. The important part of the more ancient heritage consists of a plethora of small village churches and some castles, but the castles are hardly imposing by continental European standards, whatever their aesthetic appeal. In more recent times – mainly the last three centuries – a lot of buildings, farm houses, etc. have been preserved. The Danish climate is wet (600-800 mm annually) and windy, thus many houses have been built so as to withstand the ravages of nature.

Denmark has a couple of landmarks on the World Heritage list, but no “world class” cultural heritage on par with the Acropolis or the Pyramids.³

2. Principles of conservation

It is almost an axiom that the free market will fail to provide satisfactory conservation of public landmarks as private owners will make investment decisions based on private valuation and preferences and generally disregard the ‘existence value’ of any candidate for conservation. Yet there are notable exceptions to this line of reasoning: consider for instance historical buildings. Many privately owned houses have been painstakingly preserved – often with municipal or state funding and planning, but nevertheless with private incentives as the dominant force. Private owners often take personal pride in their stewardship over historical houses and have, rationally or not, invested considerable sums to conserve them. Some owners of e.g. a castle voluntarily assume a lifelong obligation to conserve these properties, in cases devoting entire lifetimes to making the castle into a viable business such as a museum or a conference facility.

For the remainder of the paper we shall be considering official Danish policy on conservation; nonetheless we should bear in mind that in Denmark, as elsewhere, the amount spent by the state on conservation amounts to only a fraction of the conservation efforts undertaken by private owners.

When the market is assumed to deliver inadequate conservation the question arises of how much conservation should be done. Table 1 lists 8 cultural monuments.⁴ The term “cultural

³ The closest Denmark comes to a unique piece of heritage is probably Kronborg Castle of Hamlet fame. This castle would be considered merely a pleasant renaissance castle in picturesque surroundings had Shakespeare not chosen it as the scene of his legendary play. Elsinore was in fact never the capital of Denmark, but only well known at the time of Shakespeare because all ships to and from the Baltic Sea had to anchor at Elsinore to pay duties.

⁴ We will consider numerical examples rather than curves or algebra throughout this paper. At some point economists must stop talking amongst themselves and try to make their views accessible to the general public. In the author’s experience the mere introduction of curves tends to alienate non-economists, whereas numerical examples are more accessible while being just as illustrative.

monuments” is chosen as a deliberately abstract concept, and the cultural monuments in question are assumed to be (almost) identical.⁵ As with any other consumption good, we assume that as the accumulation of cultural heritage progresses, larger and larger segments of the public will have “had enough” and derive no further utility from the addition of new monument. It would therefore seem quite natural to apply the economic principle of diminishing marginal utility to the analysis.

We begin with monument 1, the first monument made available to the public. Let us assume that the total social value (private value plus ‘existence value’) of the first cultural monument is 25 of some monetary unit. The value of monument number 2, given the availability of the first monument, is 22. The value of 3, given the existence of numbers 1 and 2, is 19, and so forth. The discounted cost of conserving monument each monument is set to 12, and so we have a social surplus of conservation of 13 for the first monument, 10 for the second, etc.

Table 1. Identical cultural monuments

Cultural Monument #	Value	Costs	Social surplus
1	25	12	13
2	22	12	10
3	19	12	7
4	16	12	4
5	13	12	1
6	10	12	-2
7	7	12	-5
8	4	12	-8
Total	116	96	20

If the alternative to conservation of all monuments is the conservation of no monuments, the conservation of all the monuments is preferable and sound, as the total value of the monuments is 116 whereas the costs of upkeep are only 96, with a resulting surplus of 20. But the economist’s preoccupation with marginal considerations forces her to point out that the conservation of last three monuments is not justified as it implies a social loss of 15. This almost trivial observation has here been spelled out in detail because one faces an uphill battle trying to illustrate this for the general public. Two major difficulties are involved.

⁵ It may strike the reader as a little curious to invoke the idea of identical monuments. This is however not only an indispensable economic construct; as will be apparent in section 4, conservation applies not only to unique medieval castles but also buildings and factories from more recent periods, and there may very well be many similar candidates for conservation, for example modern wind mills.

One is that this is a theoretical example, and the layman will likely ask how one in fact goes about measuring the involved magnitudes, especially the monument's 'existence value'. One method is contingent valuation studies of the kind that do not exist at present except in very special cases. Contingent valuation studies may be found or could be carried out for a given monument, but it is very difficult to condition the existence value of one monument upon the existence of other monuments. We may ask how much people are prepared to pay for the conservation of a given village church, but seldom venture to investigate the hypothetical willingness to pay were other village churches suddenly made unavailable.

The second difficulty arises because most people do not think like economists: many would be inclined to question the very principle of declining marginal value and argue that forfeiting one monument to satisfy some abstract economic principle would threaten the existence of all monuments – once the cost-cutting economist has tasted blood, so to speak. Naturally this is not the central message, that should monument # 8 cease to exist it will in fact increase the value of the other 7 monuments by making them scarcer, etc. However it is not always the more reasonable argument that ultimately prevails.

In Table 2 we consider the situation of 8 cultural monuments – no longer identical, so the issue becomes not one of how many should be preserved, but rather to demonstrate that different decision-making criteria will have a decisive impact on the outcome.

Table 2. An example with 8 monuments

1.	2.	3.	4.	5.	6.	7.
Monument #	Private value	Existence value	Costs	Social value	Private surplus	Social surplus
1	10	40	5	50	5	45
2	12	25	30	37	-18	7
3	14	30	20	44	-6	24
4	16	5	15	21	1	6
5	18	1	12	19	6	7
6	20	5	30	25	-10	-5
7	22	55	80	77	-58	-3
8	24	1	2	25	22	23
Total	136	162	194	298	-58	104

Let us assume that we somehow know the appropriate magnitudes for the first 4 columns. We obtain the social value by summation of private value and existence value; private surplus is obtained by subtracting the costs of conservation from the private value; and social surplus by subtracting the costs from the social value. Let us see how different decision makers arrive at how much to invest in conservation.

Private ownership: With only private interests at stake only the monuments with a positive private surplus will be conserved, in this case # 1, 4, 5, and 8.

Public ownership: From a social point of view, monuments 2 and 3 should also be conserved. In fact society will ideally always conserve more than dictated by private interests since the public also considers existence value. However, this outcome is conditioned upon the assumption that society will act a benevolent caretaker of public interest. To what extent this reflects the actual political situation varies across time as well as geography.

Experts as decision makers: Conservation may not be a central political theme at any given time or place. In such a situation it may be very tempting for elected government to leave the decision to non-partisan experts and caretaker organizations. The drawback is that should the government decide to intervene in the process of conservation they may upset a fraction of the constituency. Insofar as they are relieved of responsibility for the fiscal implications of their decisions, experts will be inclined to focus on the existence value of the monuments and pay little or no attention to private values and costs, as is often the manner of bureaucrats far removed from the accountability of the polls. They would certainly want to conserve all the monuments, as all have positive existence value, and would probably wish to conserve the monuments in the order 7, 1, 3, 2, 4, 5 6, 8.

Experts subject to a budget constraint: Let us assume that the experts have 34 monetary units at their disposal and wish to maximize the number of conserved monuments.⁶ This could be justified by arguing that it is easier to come to unanimity if many rather than few projects are included, thus maximizing the chances that each expert gets his or her pet project. Such experts will choose the cheapest monuments, which are # 8, 1, 5 and 4. Project # 3 will not be chosen even though it boasts a larger social surplus than 4 and 5 combined.

⁶ It is well known from economic theory that decision making in a committee with majority voting will not lead to an unambiguous result but rather depend upon the composition and agenda of the committee. The goal of maximizing the number of conserved monuments is just one of many conceivable goals.

Referendum:⁷ In the economics literature on polling and election, voters are assumed to behave selfishly. Each citizen will decide which existence value the monument in question has for him, and compare this with the costs that he is expected to pay. The private value of a monument may be disregarded as the private owner has only a negligible part of the total votes. Let us expand previous table with Table 3. Let us assume that 100 citizens participate in the referendum.

Table 3. An example with referendum

Monu- ment #	Existence value	Costs	Distribution 1: All citizens are alike			Distribution 2: 10 A citizens with half the existence value 90 B citizens with half the existence value			
			Existence value per citizen	Costs per citizen	Adopted	Existence value per A citizen	Existence value per B citizen	Adopted	
1	40	5	0,4	0,05	Yes	2	0,22	Yes	A citizens vote yes
2	25	30	0,25	0,3	No	1,25	0,14	No	A citizens vote yes
3	30	20	0,3	0,2	Yes	1,5	0,17	No	All vote no
4	5	15	0,05	0,15	No	0,25	0,03	No	All vote no
5	1	12	0,01	0,12	No	0,05	0,01	No	All vote no
6	5	30	0,05	0,3	No	0,25	0,03	No	All vote no
7	55	80	0,55	0,8	No	2,75	0,31	No	A citizens vote yes
8	1	2	0,01	0,02	No	0,05	0,01	No	A citizens vote yes

Referendum where all citizens are alike (Distribution 1): All citizens value the monuments to the same degree, and all pay the same costs. In this scenario only monuments 1 and 3 will be conserved.

Referendum with compensation to the owners: In the previous example, private value was disregarded. However, an alternative is to require citizens to compensate the private owners for their expenses in preserving the monuments. In that case, costs will increase, implying for instance

⁷ Frey (1997) has discussed this possibility at some length.

that monument 3 will no longer be adopted in a referendum, as the costs become 0.34 per citizen and the existence value is only 0.30.

Referendum with a skew distribution of benefits (Distribution 2): It is assumed that the population consists of 10 per cent A citizens who cultivate a vivacious interest in conservation and thereby together account for half the total existence value, and 90 per cent B citizens who show only modest interest in conservation and account for the other half of the total existence value. Note that the total social value is not changed. This kind of distribution is certainly in line with empirical evidence on existence values and their distribution among the population. For simplicity, we shall maintain the assumption that all citizens still pay the same amount. Only monument 1 will survive this referendum. A citizens will vote yes and B citizens no on monument 2, 7 and 8, and the motion will therefore not carry.

These examples with a public referendum may seem a bit construed, since only in Switzerland and a few of the United States are referenda actually held. However, transferred to representative democracy the calculation assumes much greater importance. If politicians are less occupied with the abstract idea of welfare than with which proposals may be adopted, and if politicians consider the voters to be purely selfish, then the referendum mechanism becomes relevant. The point is that it is not only the total costs and benefits of conservation that matter, but also the distribution of costs and benefits among the population and the rules concerning compensation.

General law on conservation. The analysis thus far has considered each monument individually, in keeping with the fact that each has unique characteristics and value. Yet in political practice it is common to formulate a general law on conservation which considers the aggregate existence value of monuments. The alternative to such a law is to entrust conservation of the monuments to private owners. A law would seek to conserve monuments 2, 3, 6, and 7 because legislators are able to conclude that monuments 1, 4, 5, and 8 will also be conserved – not by public law but rather under private ownership, in keeping with the discussion above. Such a law would improve the public welfare by 23. However, from the point of view of social cost-benefit projects 6 and 7 should not have been covered by the law. Critics of such a law maintain that far-reaching legislation is unable to draw distinctions among the monuments' value, as well as pointing out the inherent difficulty of defining the optimal amount of conservation.

These stylized examples are meant to demonstrate two main points about conservation. First, the discussion illustrates that while the market may not provide an optimal solution (*market failure*) public intervention may perform just as poorly (*government failure*). It is true that in the example

society was able to enact legislation to ensure an increased social surplus. But now consider the 5 projects in Table 4: a general conservation law covering all the monuments seems to deliver a social surplus of 20. But that is entirely due to the ill-conceived assumption that legislation is necessary to conserve all the monuments. In fact the alternative is private conservation, which would ensure the upkeep of 1 and 2, and so in reality the law only affects projects 3, 4, and 5, which taken together have a negative social surplus. Society would actually be better off without the law.

Table 4. A law with a social deficit

Monument #	Private value	Existence value	Costs	Social value	Private surplus	Social surplus
1	10	20	8	30	2	22
2	10	20	8	30	2	22
3	10	20	18	30	-8	12
4	10	10	38	20	-28	-18
5	10	10	38	20	-28	-18
Total	50	80	110	130	-60	20

The second lesson is that conservation is by no means apolitical or uncontroversial. Conservation efforts may be organized in many ways, as evidenced by the widely different approaches adopted in various countries. The outcome will depend upon the specific circumstances in each country, upon the costs and benefits as well as the distribution of costs and benefits of conservation, all of which are likely to differ substantially among countries.⁸

3. Means of conservation

There is very little literature on the means of conservation to parallel the rather vast literature on different methods in environmental policy. We shall consider four different categories:⁹

- State ownership
- Change of property rights

⁸ Pearce et al. (2002) briefly discuss the possibilities of *benefit transfer*, i.e. the possibilities of transferring experience from evaluations of the benefits from one cultural object to another. The author is inclined to agree with his conclusion that this appears unrealistic in the foreseeable future. Even studies like Navrud and Ready (2002) – valuable as they may be in other respects – have little application for Danish cultural objects.

⁹ Monchaux and Schuster in Schuster et al. (1997) introduce information as a separate category. This would seem particularly appropriate in an international context.

- Economic means
- Regulations

State ownership simply implies that the national government acquires the property in question. The implicit assumption is that once in public hands the property it will be suitably kept for posterity. Whether states actually fulfill this condition varies greatly across time and space; we shall nevertheless assume for simplicity that this is the case.

In a number of countries, particularly in Europe, state ownership has been easy to implement because historically the central government (usually a king) claimed sovereign ownership of most of the buildings now deemed worthy of conservation, e.g. royal castles such as France's Versailles and Denmark's Kronborg.

State ownership is widely regarded as the best guarantee for sound conservation, but invariably also places the biggest burden on the public treasury. Given the political will to conserve is not without limits, modern governments are increasingly faced with the choice of either buying a few buildings or providing partial funding and subsidy for the upkeep of many buildings, see below. Obviously, how monuments rank in terms of conservation value will play an important role in this decision. A country with only a few buildings thought to be very important may opt for state ownership, while another country with a large number of structures worthy of conservation but none really outstanding may opt for a policy of subsidy.

Change of property rights. Property ownership is seldom a carte blanche to the holder of a deed, but rather a carefully delimited bundle of rights, each of which may be changed by act of law. It is possible and increasingly common to change these rights with respect to conservation, e.g. by imposing restrictions on when and how properties should be conserved. A great many solutions may be imagined, depending on the political demeanor of the society in question. At one extreme, efforts to preserve a structure may require the consent of the current owner; Schuster (1997) presents examples of this from a number of countries. At the other extreme, all buildings may be eventually destined for conservation, whereby a public permit must be secured before making changes to a building. A number of intermediate solutions are also observed: Conservation may only be carried out with specific legal guarantee; it may trigger some form of compensation; require an act of parliament or approval by central bureaucracy, etc.

In Denmark, private property is a constitutional right, and the state cannot expropriate any property without due compensation. Nonetheless there is a long tradition of interpreting this

requirement in such a way that general planning efforts, insofar as they affect conservation, do not trigger any compensation.

Economics means.¹⁰ This category in fact comprises a very broad range of arrangements (Schuster 1997). These include subsidies, loans, and favorable rules for taxation and heritage. Typically, it is very difficult for outsiders to evaluate these arrangements and their practical implications. They may be directed at private persons as well as firms, but may also target local authorities. Obviously, arguments for providing subsidy are ultimately based on perceptions of existence values. Subsidies may be particularly appropriate if there is a rather large quantity of buildings worthy of conservation, and so we shall assume such a condition exists.

Precisely how subsidies affect conservation efforts is taken up in Table 5, where we consider 10 monuments. Under private ownership these monuments are assumed to impart the owner variable yearly benefits; some give a surplus, others a deficit. We assume the state only knows that the houses are worthy of conservation but does not know what benefits the private owners derive. This is realistic given that subsidy legislation may involve hundreds or even thousands of houses. It is therefore not possible for the state to offer individually metered assistance, i.e. just enough to cover the gap between a private owner's derived utility and costs of upkeep. The state will instead have to rely on a calculation of the average subsidy required; assume for argument's sake the subsidy is set at a fixed amount 2.5 per building.

As will be immediately apparent from Table 5, 3 different groups arise. For one group of buildings (1 thru 4) support is a superfluous windfall to the owner. The owner already has an economic incentive to preserve the building so the support will not affect the owner's behavior. For a second group of building (5 and 6) the support has precisely the desired effect. The support achieves the object of conservation. For a third group of buildings (7 thru 10), the subsidy has no effect since it is simply insufficient to cover costs of conservation; in this case we assume the owner does not wish to cover the extra costs out of her own pocket, and will therefore not apply for subsidy.

¹⁰ The distinction between economic means and regulation is well-established in the environmental literature. It may not be a very appropriate distinction here, however, as it would tend to suggest that economists are only interested in economic means and would prefer to leave regulations to other specialists. This is a serious misunderstanding. Different types of regulations also have economic consequences and may be analyzed by the framework used by economics.

Table 5. An example of a subsidy program.

Building #	Net benefits per year	Subsidy per year	Result after subsidy	Conservation effect
1	3	2.5	5.5	Superfluous
2	2	2.5	4.5	Superfluous
3	1	2.5	3.5	Superfluous
4	0	2.5	2.5	Superfluous
5	-1	2.5	1.5	Effective
6	-2	2.5	0.5	Effective
7	-3	2.5	-0.5	Ineffective
8	-4	2.5	-1.5	Ineffective
9	-5	2.5	-2.5	Ineffective
10	-6	2.5	-3.5	Ineffective
Potential amount of subsidy 25				
Actual amount of subsidy 15				

The example is meant to emphasize the point that when investigating subsidy policy, it is crucial to evaluate the distribution of buildings in each group. The size of each group will of course be affected by the size of the potential subsidy. Table 6 illustrates the effect of varying subsidy level on efforts to conserve the 10 buildings in Table 5.

Table 6. The effect of subsidy level

Subsidy per building	Number of reserved buildings	Total disbursement of subsidy	Marginal increase in state subsidy for an added preserved building	Theoretical approach with minimum subsidy	Ineffective subsidy (waste)
0	4	0	-	0	0
1	5	5	5	1	4
2	6	12	7	3	9
3	7	21	9	6	15
4	8	32	11	10	22
5	9	45	13	15	30
6	10	60	15	21	39

If the subsidy is zero, 4 buildings will be preserved anyway. With a subsidy of 1, one extra building will be preserved (actually, the owner just breaks even, in which case we assume she will

choose to preserve her property), but the 4 previous buildings will also receive support, so the total subsidy disbursed will be 5 times 1. The marginal cost of conserving building # 5 is thus 5. The theoretical minimum subsidy assuming the state has sufficient knowledge to identify which owners will react to subsidy and consequently give just enough support to induce them to undertake conservation would be 1 (for building # 5). Finally the ineffective funding is simply the actual amount of subsidy less the theoretical minimum or $(5-1) = 4$.

If the size of the subsidy is sufficiently high all structures will be conserved but only at considerable cost. The marginal cost of an extra conserved building increases dramatically. This result resembles a common assumption of increasing marginal costs in the literature on production economics; here however increasing marginal costs are not the result of increasingly inefficient production, but instead reflect the imperfect knowledge of the state.

The main benefit of a subsidy arrangement is that one avoids conserving buildings that would be costly to conserve from a social point of view. Assume that the existence value of each building is 1, and that the subsidy is set at the existence value, so each building is properly valued. Building 5 would be conserved, but buildings 6 thru 10 would not be conserved; in the case of building 6 this would imply that a social loss of $(-2+1) = -1$ is avoided. If all buildings were required to be conserved, the loss to the owners would be $(2+3+4+5+6) = 20$, while the existence value of 5 times 1 would be intact, so the resulting social loss is $20-5 = 15$.

With a subsidy policy, the state is presumed not to know which buildings are costly to conserve, while private owners know exactly which costs they face. The subsidy policy disperses the decision of whether to conserve to the market.

Some may object to these examples in that they assume an overly rigid subsidy design by the state. With sufficient knowledge the government could design a better policy; however it should be kept in mind that the very reason states choose subsidy schemes is precisely because they lack sufficient information, and a well-designed scheme meets basic conservation needs without imposing insurmountable information-gathering costs.

We have thus far identified two drawbacks of the subsidy policy. One is that superfluous support is likely to be given, and the other is that if the subsidy is not set high enough the total amount of conservation may not meet the expectations of policy makers and their electorate. Note additionally the inherent trade-off between these two drawbacks. The higher the support, the more likely conservation demands will be fulfilled, but the more superfluous subsidies will be disbursed.

Regulation. This is a very wide category. As a starting point one may broadly distinguish between hard and soft regulations. By hard regulation is meant bans and orders, where non-compliance is met with some kind of sanction, typically a fine. Soft regulation includes persuasion, information, appeals to international conventions, etc. The distinction between soft and hard regulations may not always be straightforward. In Danish practice, the state often communicates policy guidelines to county and municipal authorities, leaving it up to local policy makers to execute these apparently soft regulations. However, if a citizen appeals a decision by a municipality, the state will most often decide the case in accordance with the original indications communicated to local authorities. In this way government guidelines that initially appear as soft regulation may in practice be considered hard regulation.

One reason many governments avoid hard regulation is that the consequences may be quite drastic for private owners. In Table 5 an inflexible mandate to conserve would imply a yearly loss of 6 on monument 10. Such a cost will not appear anywhere in the public accounts, nor likely become the subject of public discourse. The costs of such regulation are basically hidden from public scrutiny, but that does not mean they are unimportant to the owners involved as well as to society as a whole.

In the literature on environmental conservation, quantitative regulations have been bitterly – and often justly – attacked. Much of the skepticism around hard regulations applies equally to historical conservation.¹¹ For example, in recent debates about how to reduce CO₂-emissions (in tons) by a given country, it is easily demonstrated that while an emissions tax or some form of tradable emission permits (either among industries or between countries) will achieve this objective in a cost efficient way, direct regulations typically achieve the same end only at substantially increased costs. This argument is made possible by the fact that the emissions may be added and subtracted according to their physical properties – one ton of CO₂ is as good as the next. However, this argument has little application to heritage questions, and so the presumption that regulations necessarily impose unreasonable costs cannot easily be maintained.

¹¹ Throsby comments that “to many economists, regulation is a dirty word – or at the very least somewhat unclean” (Throsby 1997, p. 35).

4. Danish conservation policy.

The extent of conservation. The first Danish law on conservation of historical sites and structures dates from 1861 and set out to protect all churches for posterity. Since then, the field of candidates for conservation has widened substantially, but not gathered under one law. Denmark does not, as opposed to e.g. Sweden, have a single conservation law but rather separate conservation provisions scattered in many laws. From an organizational point of view, the power of oversight and power to prosecute violations used to be as dispersed as the laws themselves, but as of January 1st 2002 these powers have been concentrated in the Danish Cultural Heritage Agency.

Conservation efforts focus on three major groups of artifact:

- Relics;
- Buildings; and
- Historic downtowns.

Conservation of relics. There are about 180,000 known relics from the past in Denmark. These are mainly small graves and burial sites, sometimes adorned with granite boulders, scattered across the Danish landscape. Obviously, such a large number of relics are impossible to guard closely, and are often quite inconvenient for modern agriculture using heavy machinery. It is therefore estimated that about 2000 relics disappear each year in connection with illegal farming practices and road construction. Only rarely is official permission to abolish a relic granted. No compensation is disbursed to the owners of burial grounds, but apart from inconvenience, the burden on the individual farmer is negligible.

In some countries, the conservation of relics has been a major obstacle to public works such as metros but two major Danish projects, the Copenhagen metro and a natural gas project through the open landscape, have recently been carried out with only minor problems with archaeological relics. The Danish Museum Act specifies that if a builder finds some archaeological relics, construction should stop and an archaeological examination be carried out at the expense of the builder. This naturally discourages builders from reporting findings; while the official position is that this is not a major problem in practice, it undoubtedly happens once in a while.

Conservation of individual buildings. In light of the examples presented in the previous sections, the most pertinent issue for official conservation efforts is the conservation of individual buildings. Since 1917, Denmark has had a general conservation law stating that preservation is not the business only of the individual owner but also of society.

The present law on conservation states in section 1:

*“The law serves to conserve the nation’s oldest buildings of architectural, cultural, historical, or environmental value, including buildings that cast light upon historical living, working, and productive conditions or other important features of the development of society.”*¹²

When a building is conserved, its owner becomes subject to very severe limitations with respect to structural or ornamental changes. All alterations require an official permit, and such permission is very rarely granted. In this way conservation seeks to “freeze” buildings in a historical state.

All buildings from before 1536 (the Danish Reformation) are automatically subject to the law on conservation, regardless of whether the structure is unique or typical.

Economic theory has to my knowledge not really considered which type of buildings that may be or should be conserved but we may just note that all buildings may be conserved, whether unique or typical. In fact, it would be hard to think of a building where some aspect would not seem to fit into the general provision of the law. In that sense, it is impossible to deduce from the Danish law very much about actual conservation policy. All buildings may be conserved, but of course not all buildings are actually conserved. But fortunately some further information is available.

Table 7 presents the total number of conservations according to year of construction. It should be noted that an act of conservation may include more than one building. For example, the conservation of a castle is also likely to include buildings related to the castle. The total number of conserved buildings in Denmark is around 9,000.

Table 7. The number of conservations in Denmark

Construction year	-1650	1651-1850	1851-1950	1951-	Total
Conservations at the end of November, 1990					
Total	484	2.455	528	11	3.478
Per cent	14	71	15	0	100
Conservation 1990-2001					
Total	10	105	220	16	351
Per cent	3	30	63	5	101

Source: Ministry of Culture 2002, p. 38.

¹² Author’s translation.

By far the majority of the conserved buildings date from the period 1651-1850. Presumably, almost all structures that could be conserved are protected by now, so we observe a marked decrease in the uptake of “historical” buildings from the period before 1850. This has not slowed the conservation effort, however, as officials and interest groups focus their efforts on the modern period (1850 onwards). The number of conserved buildings increased by 10 percent between 1990 and 2001, an increase of nearly one per cent annually.

Formally, only the Minister of Culture has jurisdiction in cases of conservation; but all cases must additionally pass through The Conservation Board. In practice, this board wields the power to grant protected status. To illuminate the board’s actual proceedings, we shall examine in detail their yearly report for 2000. This report describes the conservation cases before the board in detail.

Table 8 Table 8 lists all new buildings protected, including their ages, as well as a summary of the justification for conservation. This presentation gives a rare insight into the practices of the Conservation Board.

Table 8. Conservation cases 2000

Character of building	Age	Justification for conservation
Public Bath in Sofiegade, inner Copenhagen	1909	“From the point of view of cultural history a very important testimony to housing and living conditions at the beginning of the 20th century. An example of the solid public building in that period.”
Baneskellet 14-20 and 22-28, Søllerød (north Copenhagen)	1908	”Two important examples of public housing for the working-class, remarkable from a planning perspective (each apartment has its own entrance).”
Domestic Terminal, Copenhagen Airport (Vilhelm Lauritzen, architect).	1939	“A central piece of functionalist architecture. Refined yet simple. Modular planning combined with elegant constructive solutions, particularly the internal hall.”
Copenhagen Sports complex, Adolfsvej 25.	1966-72	“The most distinctive and refined sports facility since World War II.”
Kvistrupvej 36, Haderslev [...] (Jutland). Historic home of county official.	1844	“This well-preserved manor is a fine specimen of the farm houses typical to the Haderslev-region. Prototypical features such as a rich interior with stucco ceilings, decorative paintings on walls and ceilings, and panel doors.”
Thorsbro Waterworks, Allévej 23, 27 and 33, Ishøj (south Copenhagen).	1906-09	“Three buildings, [...] all [...] very well preserved externally as well as internally, come together as a conceptual architectonic unit in an otherwise lush landscape. Reminiscent of the aesthetical quality of that period’s public works.”
Water Tower, Brønshøjvej 29, Copenhagen.	1928	“The tower [...] with its untreated, reinforced concrete surface is a simple yet persuasive architectural expression, making it a remarkable work at the time of its construction as well as today.”

Water Reservoir, Vandtårnsvej 60, Gladsaxe (west Copenhagen).	1931-1935	“[...] Architectonical and cultural value. [...] Each [...] building has its own independent architectonic expression with many well-planned and equally well-executed details.”
Errindlev Dairy, Errindlevvej 34B, Holeby (island south of Sealand).	1913, 1886, 1950	“One of the best preserved examples of a classic dairy [...] from the period 1910-1920 ... A fine example of the many dairies [...] built by H.P. Philipsen in southern Sealand as well as on the islands of Lolland, Falster, and Bornholm.”
Grey Friar Chapel, Store Gråbrødrestræde 12B, Roskilde (30 km west of Copenhagen).	1856-57, 1853	“The chapel with its characteristic rounded Venetian [...] gable, intricate red brickwork and simple arched interior assumes an important place in the history of Danish architecture. The decorative brickwork makes it an early example of nascent historicism [...] which from the middle of the 19th century dominated Denmark religious architecture.
Bellevue Public Baths, Strandvejen 340, Gentofte (north Copenhagen).	1932/1938	“The purely functional and the sculptural-aesthetical meet in this uniform row of low-profile [...], off-white buildings [...], a central piece in the unity and harmony of Arne Jacobsen’s design for a combined housing, bathing, and entertainment complex. [...] Typical [...] modernist architecture of the 1930es reflecting the period’s vision of a utopia of modern, active, and healthy life.”
Husby Manor, Husby Klitvej 33, Ringkøbing (Jutland).	1850’s, 1912, 1922	“An impressive example of the characteristic square houses built up to the dunes [...]. Typically located in isolation between the coastal road and the dunes [...].”
Headquarters, Danish Shipping Association, Amaliegade 33, Copenhagen.	1920-23	“A well-preserved example of the type of building commission by [...] trade unions in a period when such associations sought to physically express their growing influence on the development of society [...].”
Strandboulevarden 35, Copenhagen	1902	“[...] A distinguished example of the elegant four-story houses around Østerbro [a [...] Copenhagen neighborhood] in the picturesque [...] national romantic style.”
Classensgade and other streets in Copenhagen’s ”[...] Classens Have” neighborhood.	1924-25	“Typical of [...] later neo-classicist four-story tenements. An example of [...] alternative approaches to the city block concept in that period.”
Gefion and Gylfe, Østbanegade 19 og 21, Copenhagen.	1902	“Typical fashionable four story buildings from the early 20th century, on fashionable embassy row [...].”
Glacisgården, Østbanegade 11 at Trondhjems Plads 2, Copenhagen.	1903-04	“One of the few Copenhagen houses in the Jugend style, assuming an important place in Danish architectural history as well as being remarkable among the four story buildings at Østerbro (A quarter in Copenhagen).”

It should be obvious from Table 9 that Danish conservation efforts anno 2000 have little to do with medieval castles and pre-modern cultural history; rather the focus seems to be on preserving architectonical value. The limited economic literature on conservation has voiced a general concern that regulatory bodies risk being dominated by special interests or the fashion of the day; this seems in fact to be the case. At the time of writing, the Board of Conservation included 10 persons, and the

chairman and 4 other members were architects. Two of the members of the board were mayors, but minutes from meetings reveal they were rarely present at quorum. Given the considerable influence wielded by this group it is not surprising its members tend to temper their interpretation of the law with their own private preferences. Whether this interpretation corresponds to tastes and propensities in the general public is perhaps subordinate. The board places a great deal of emphasis on architectural value, and has in fact declined to recommend conserving a number of buildings whose interiors had undergone extensive renovation – in the board’s eyes diminishing the original architectonic value, though such changes are of little consequence to the exterior harmony appreciated by passers-by.

Two other conclusions may tentatively be drawn from the examples in Table 8. One conclusion is that conservation is no longer only reactive. In its early days, the conservationist movement was driven forth by a sense of urgency, its advocates clamoring for action “before it is too late”. Indeed, in many cases it was too late. Now, in Denmark as well as many other places, a proactive attitude dominates: Society should conserve those structures deemed to be of interest for the coming generations. Conservationists are no longer working against the clock, as the buildings from the 20th century will not likely disappear any time soon. This long-run time horizon suggests that the methodologies honed by environmental economists with respect to long-term planning are relevant. Environmental economists have discussed extensively the inherent uncertainty attached to making predictions about the preferences of future generations; similar considerations may apply in the case of proactive conservation. This will generally imply conserving more rather than less to cover the risk attached to predictions about future preferences.

The second conclusion has to do with geographic perspective. Throsby (1997) aptly frames the concept “worthy of conservation” in a geographical perspective. Monuments worthy of conservation from a Danish point of view may be more or less vital from a European point of view. For the cases presented in Table 8 the perspective is very narrow – neither international nor even national; rather, a purely local perspective dictates the desire to conserve. In practical terms, this is quite important. How many of the buildings would be worthy of conservation from a European point of view? Would the dairy by the architect Philipsen have been considered worthy of conservation had the Board included foreign experts? Is this phenomenon also characteristic of other European countries?

A final point regarding choice of conservation policy should be mentioned. The development in the total stock of conserved buildings is dictated by deductions from the stock as well as additions to it. Under Danish law it is possible to reverse a decision regarding conservation. This

happened 6 times in the year 2000. In 3 cases, the building in question had been (illegally) changed so conservation status no longer served any purpose, and in 3 cases the building was destroyed by storm or fire. In the latter 3 cases it is not evident whether the owner had in fact taken proper precautions to avoid destruction. An owner faced with the obligation to maintain property in a preserved state, if not compensated, will of course have weakened incentive to avoid such a loss, provided the property is properly insured. In no case was conservation reversed in an attempt to achieve an alternative and larger social value. It can therefore be safely said with respect to Danish conservation policy that conservation is an irreversible process. The stock of conserved building will thus rise slowly but inexorably.

The conservation of historic downtowns. Conservation of buildings may provide the most spectacular examples of conservation effort and are most easily adapted to the precepts of the economic literature on heritage preservation. This is partly because the locus of the individual agent (property owners) is still broadly applicable. However, a substantial (if less extensive) conservation effort is carried out by local governments. This happens through two main channels.

The first is urban planning. A building may be designated worthy of conservation in a town plan. In that case, the owner is prohibited from changing the facade but may change the interior. Such a declaration is thus far less stringent than a similar declaration by the Conservation Board. To carry out this work most urban municipalities in Denmark have prepared local atlases describing the physical environment of the municipality from an architectural, historical, and cultural point of view. It is also common practice to submit all buildings dating before 1940 to an evaluation according to these criteria.

The number of buildings already declared worthy of conservation in this way is estimated to amount to around 50,000; meanwhile the Ministry of Culture roughly estimates that 300,000 buildings in Denmark are actually worthy of preservation, based on atlases submitted by municipalities. Thus, local authorities can be expected to step up their efforts in the years ahead. This effort has encountered little resistance, presumably because of changes in the structure of the Danish economy. If economic growth in Denmark required constructing large industrial plants, designation a large number of buildings for conservation would be a point of considerably greater contention; in a service economy, however, conservation places few limits on businesses' opportunities to expand production. On the contrary, setting up shop in a historical building may confer a certain cache to the business image.

300,000 buildings worthy of conservation seems a rather optimistic estimate. The total number of buildings in Denmark is around 2.4 million, so the Ministry of Culture's figure amounts to more than 10 per cent of all structures. There can be little doubt that local authorities applying for heritage status apply an unabashed local perspective with respect to the concept "worthy of conservation".

The second channel through which local governments affect the conservation movement is the Town Renewal Act. Considerable sums are spent each year on town and urban renewal, some of which goes to conserving buildings.

The means and costs of conservation. The decision to conserve implies costs to the owner in the form of increased expenditures on maintenance and decreased use value. To avoid imposing this cost, the state may in extreme cases intervene and expropriate the structures in question, though this procedure is rarely used. In fact, heritage status may be imposed with no compensation whatsoever to the owner. But in practice there are four ways in which the owner is actually compensated.

- Exemption from property taxes;
- Special tax deductions;
- Subsidy for construction work and renovations; and
- Buildings may be made legible for resale as condominiums, even if the building does not fulfill the usual requirements for condominiums.

The upshot of these indirect channels of support is that there is usually no appeal on the decision to conserve a property.¹³ The total costs to the state of conservation are listed in Table 9.

¹³ It would appear that conservation is a private benefit in France (Benhamou 1997) but not in Great Britain (Creigh-Tyte 1997).

Table 9. The costs of conservation

Type of support	Million DKK per year
Administration and direct subsidy for construction projects.	65
Town renewal	50
Tax deductions	35
Exemption from property taxes	90
State subsidy for the conservation of churches	18
Official subsidy for conservation	258
Non-official subsidy for conservation	
Maintenance of churches	≈ 400
Costs of preserving the state's castles	≈ 200
Costs of conserving state buildings apart from castles	
Support for buildings deemed "worthy of conservation" according to the town renewal act.	
Support for establishment of condominiums.	
Private costs	
Area restrictions with respect to relics in the open country.	
Private costs due to restrictions on use for conserved houses as well as structures deemed worthy of conservation.	

Source: Hjorth-Andersen (2004).

The figures in Table 9 are estimates but there can be no doubt about the main trend. Only a fraction of the total costs of conservation are actually registered as such. The official figures on conservation certainly amount to less than a quarter of the total costs – even less if one includes unseen, private costs. The same phenomenon presumably applies in other countries even though the specific figures diverge. It should also be noted that tables like table 9 is a mixture of the actual use of resources and transfers from the state to the private owners, and there can hardly be any presumption that the transfers are estimates of the resource costs of the private owners.

For purposes of international comparison, official figures are therefore quite useless. In for example science and technology is common to rank the countries with respect to R&D intensity measured as the percentage of R&D to GNP. An international indicator for the intensity of conservation will be contingent upon internationally comparable figures.

5. An evaluation of the Danish conservation policy.

A broad spectrum of methods is applied to conservation in Denmark. Most conservation efforts take their departure from the general law of conservation. For decades now Danish property owners have had to accept state mandates to conserve buildings. State ownership is not actively

used, but still plays an important part since historically the state has been a major owner of now conserved buildings. Whether the general law applies is decided on a case by case basis, with only churches and buildings dating from before 1536 as exceptions. Decisions about conservation are in practice made exclusively by an independent board, though formally the Minister of Culture has the final veto.

This system differs markedly from many of the presumptions common in the literature on the economics of cultural heritage. The international literature generally contends that conservation should be driven by a cost-benefit analysis. Such a practice is not present in Denmark. The direct benefits to the Danish public from conservation play only a supplemental role, and the matter most often boils down to a question of architecture and cultural history. Indeed, in its present wording the conservation law would probably prohibit the Conservation Board from adopting a cost-benefit framework.

The Conservation Board is subject to no budget accountability and has accordingly not introduced cost considerations in the cases considered. But without consideration of costs or of benefits, what is to stop conservation efforts in Denmark from being inherently wasteful? To begin to answer this question, it is necessary to address two matters: Is the level of conservation in Denmark satisfactory, and are the marginal yearly additions to conservation justified?

We really have no way of precisely estimating the optimal level of conservation. However there is reason to believe conservations efforts are in step with the wishes of the Danish population. Danish conservation efforts have operated for decades and in fact very few old buildings exist that have not been considered for conservation. Thus, it seems unlikely that the level of conservation is too low. Any broadly held perception that conservationists had been over-zealous would likely have been debated to a higher degree. On the other hand, public neglect of this issue could have to do with bookkeeping: as long as costs are hidden and difficult to estimate with precision, the low official figures will not generate much discussion.

With respect to the marginal decisions there is little room for such complacency. It has been demonstrated that the present system will often lead to marginal effects that are not justified from a social point of view. One point already emphasized is the unlikelihood that the Conservation Board with its present procedures (i.e. ignoring issues of costs and benefits) can deliver socially optimal decisions. Most of the buildings in Table 8 were already very well preserved at the time heritage status was granted, and notably by the market. This mirrors the situation discussed in connection

with Table 5. The market provides excellent conservation on its own, so state efforts at conservation provide superfluous support which from the owners' point of view is pure rent.

Thus, Danish conservation efforts probably provide a reasonable level of conservation in the eyes of most Danes, though certainly marginal decisions are carried that are probably not justified from a social point of view. Some buildings are conserved for the wrong reason (extreme emphasis on architecture), others are not conserved because they do not meet requirements with respect to unchanged interior appearance, while still others are in fact conserved even though a detailed (though at present non-existent) contingent valuation study would reveal that the decision was too costly.

One final point worth mentioning is the nationalistic bent of many conservation efforts. It has already been remarked that what is worthy of conservation from a European perspective will likely be very different from the Danish perspective. In this light the decision by the European Union that culture and cultural heritage are national issues is certainly of decisive if underappreciated importance. But there is an even broader perspective. There may be very little if any correlation between the richness of a country's cultural heritage and its ability to maintain that heritage. In some small, wealthy countries like Denmark the means and the political will exist to conserve almost anything, down to the remotest grave or the smallest flint stone. In other countries fiscally starved governments stand by helplessly as substantial treasures suffer the ravages of time, often accelerated by pollution or other human effects. In environmental economics, global warming has been recognized to be a global problem, and the Kyoto Protocol has been constructed make dealing with the costs of reducing atmospheric emissions less dependent upon local conditions. The same approach might fruitfully be applied to the cultural heritage. In an increasingly international world, cultural heritage may eventually lose its national affiliations and come to be considered the heritage of all peoples. In such a perspective, the efforts of Denmark – as well as of many similar nations – are almost certainly wasteful, as much of the money spent would be better spent outside Denmark.¹⁴

¹⁴ This is not equivalent to arguing that world welfare would increase if additional money was transferred from rich to poor countries. Such an argument would unjustly presume decreasing utility of income and predicate irrelevant interpersonal comparisons. The argument is rather that it seems likely that the successive generations have an increasingly international outlook and visit countries never considered by their parents. In that case, self-interest will dictate that they will wish to allocate funding to the preservation of the cultural heritage of other countries.

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