

*International Master in
Economics and Administration of Cultural Heritage*

*Master Internazionale in
Economia e Amministrazione dei Beni Culturali*

Cultural Heritage and Local Development

Prof. Roberto Cellini - cellini@unict.it

Objectives

The lecture aims at providing the students with the basic economic ideas and models concerning local growth and development, according to different theoretical approaches.

In this framework, particular stress will be put on the (possibile) role of cultural heritage and the stock of natural and cultural resources, in the local development process, especially as concerns their effects on tourists' attraction.

Detailed Content

- The issues of “growth” and “development”;
- National growth and local growth;
- Level- and Growth- Inequalities across the regions of a country: empirical evidence concerning the European case;
- Theoretical models on regional inequalities: the Keynesian model; the neo-classical model (Lutz's interpretation); the endogenous growth interpretation;
- Institutional factors behind local development;
- Cultural capital;
- The role of natural and cultural resources in attracting tourism;
- Cultural tourism;
- Interdependency among destinations, in attracting tourism

References

- An Hand-out provided by the Instructor
- The entries “Cultural Tourism” (by Lluís Bonet) and “Cultural Capital” (by David Throsby) in R. Towse, *A Handbook of Cultural Economics*, Edward Elgar Publishing, 2003.

Additional (optional) references:

- T. Sinalire (1998), “Tourism and Economic Development. A Survey”, *Journal of Development Studies* vol. 34, pp. 1-51.
- G. Candela – R. Cellini (2006), “Investment in Tourism Markets: A Model of Differentiated Oligopoly”, *Environmental and Resource Economics*, vol. 35, pp. 41-58.

*International Master in
Economics and Administration of Cultural Heritage*

Cultural Heritage and Local Development

Prof. Roberto Cellini
cellini@unict.it

Outline

- The issues of “growth” and “development”;
- National growth and local growth;
- Level- and Growth- Inequalities across the regions of a country: empirical evidence concerning the European case;
- Theoretical models on regional inequalities: the Keynesian model; the neo-classical model (Lutz’s interpretation); the endogenous growth interpretation;
- Institutional factors behind local development;
- Cultural capital;
- The role of natural and cultural resources in attracting tourism;
- Cultural tourism;
- Interdependency among destinations, in attracting tourism

The issues of GROWTH and DEVELOPMENT

What do we mean by “economic growth”?

What do we mean by “economic development”?

Development =

.....

.....

.....

.....

DEBATE - Is it possible to experience growth without development?

Growth and development widely differ over time and across Nations

Growth and development widely differ over time and across REGIONS of a Nation

The issue of convergence: How to measure convergence?
Do nation converge over time?
Do regions converge over time?

Experience of DUALISM, in Italy
in Europe
in other part of the world

Is the model of dualism no longer appropriate?

MODELS OF LOCAL DEVELOPMENT

The Keynesian tradition

Cumulative causality

“Effective demand” principle:

Demand → Production

Low demand → Low Production = Low Income → Low demand

POVERTY TRAP

How to escape from this POVERTY TRAP?

.....

.....

The Neoclassical tradition and its new versions

Diminishing returns to production factor

Mobility of factors

Tendency to convergence

Provided that convergence does not occur, what is missing?

- Institutional factors
 - o Vera Lutz (1961)
 - o The Putnam interpretation (1992)

- Returns are not decreasing
 - o The endogenous growth stories

A FIRST SET OF BASIC QUESTIONS:

Is the endowment of resources relevant for development?

Is the cultural endowment relevant?

(what is “cultural capital”?)

Tangible cultural capital

Intangible cultural capital

Is the public intervention necessary?

POLICIES FOR LOCAL DEVELOPMENT

- The Post WW-II interventions in Italy and Europe
- Economic policy in the Eighties
- The new policy of the EU

The Pillars of the European policy for local development
(REGIONAL COHESION)

.....
.....
.....
.....
.....

CULTURAL CAPITAL

Tangible vs. Intangible Cultural Heritage

Tangible Capital (1972: UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage.)

The Convention considers as “**Natural heritage**”:

- **Natural features** consisting of physical and biological formations or groups of such formations, which are of outstanding universal value from the point of view of science or conservation;
- **Geological and physio-graphical formations**, like precisely delineated areas which constitute the habitat of threatened species of animals and plants of outstanding universal value ...;
- **Natural sites**, like precisely delineated natural areas of outstanding universal value from the point of view of science, conservation or natural beauty (Article 2, UNESCO World Heritage Convention).

The Convention considers as “**Cultural Heritage**”:

- **Monuments**: architectural works, works of monumental sculpture and painting, elements or structures of an archaeological nature, inscriptions, cave dwellings and combinations of features, which are of outstanding universal value from the point of view of history, art or science;
- **Groups of building**: groups of separate or connected buildings which, because of their architecture, their homogeneity or their place in the landscape, are of outstanding universal value;
- **Sites**: works of man or the combined works of nature and man, and areas including archaeological sites which are of outstanding universal value from the historical, aesthetic, ethnological or anthropological point of view (Article 1, UNESCO World Heritage Convention).

Intangible Heritage

The "Intangible Cultural Heritage" (ICH) means the practices, representations, expressions, knowledge, skills –as well as the instruments, objects, artefacts and cultural spaces associated therewith– that communities, groups and, in some cases, individuals recognize as part of their cultural heritage.

(UNESCO, Article 2 of the Convention for the Safeguarding of the Intangible Cultural Heritage in 2003)

The ICH, as defined above, is manifested *inter alia* in the following domains:

- a) oral traditions and expressions, including language as a vehicle of the intangible cultural heritage;
- b) performing arts;
- c) social practices, rituals and festive events;
- d) knowledge and practices concerning nature and the universe;
- e) traditional craftsmanship.

The ICH is sometimes called *living cultural heritage*.

Characteristics:

- transmitted from generation to generation;
- provides communities with a sense of identity and continuity;
- compatible with existing international human rights.

Intangible Heritage *versus* World Cultural and Natural Heritage or Tangible Cultural Heritage (TCH)

It could be much more threatened with destruction, than what we can call the "Tangible Cultural Heritage" (TCH).

Important: what it has to be preserved must have universal value because of its aesthetic or scientific value.

Since 1972 to 2003, UNESCO did not explicitly protect the “intangible heritage”: *cultural heritage must have a tangible dimension in order to deserve protection.*

Some “intangible” aspects must characterise the Cultural Heritage deserving UNESCO's protection.

From ethical to economic reasons for TCH and ICH preservation

TCH : Generally, non renewable resource

ICH : Generally, renewable resource

In environmental economics, the management of non-renewable and renewable resources is different.

The ICH can be considered as a renewable resource: it will survive until it will be able to reproduce by itself.

Examples:

- a language will survive until there will be individuals that speak it, that transmit it from a generation to another;
- tacit knowledge on which is based the traditional craftsmanship.

Non-renewable resources: the main economic problem is to determine the “optimal” rate of depletion.

Renewable resources: the main economic problem is to avoid that the quantity of the renewable resources (i.e. trees, fish, etc.) is under a minimum level that does not allow the resources to reproduce by themselves.

From an **ethical** point of view, we could say that every man-made artefact deserves to be preserved.

From an **economic** point of view, the problem is what is the level of preservation of man-made artefacts that maximises the social welfare.

Economic questions (to be dealt with):

- What are the *opportunity costs* of the TCH and ICH preservation?
- Can *the market work* ?
- What are the benefits from TCH and ICH, for local and global development?

Cultural capital and globalization.

Characteristics of the present era of globalization:

- "global" approach: we live in the same "global village" and every local happening cannot take place without impacting on the international community and viceversa.
- Progress in communication and transport technology (especially, Information Communication Technology - ICT)

These characteristics can have both positive and negative effects, as concerns the preservation of cultural capital and diversity.

Positive effect: external control of the respect of the human rights from the global civil society (e.g. condemnation of child labour);

Negative effect: cultural homogenisation. The demand of goods based on local knowledge decreases. The preferences of individuals endogenously change at a speed pace because everyone voluntarily abdicates its cultural origin to share the global cultural values.

International competition becomes harder.

Do consumers benefit from this?

- If it is a **price competition**, consumers could enjoy benefits because they can buy a larger quantity of goods or services at a lower price.
- If it is a **no-price competition**, the increasing variety of goods and services will benefit consumers and can increase social welfare.

DEBATE

Globalism

1. the ideology of globalism sustains the superiority of the market laws on the politics laws and weakens the role of the international organisations. Problems of global governance to avoid increasing inequality in the global distribution of the wealth;
2. from an economics perspective, globalization consists in the liberalization of the international trade of output (goods, services) and inputs (labour, capital)
 - Has the gap between rich and poor countries become larger (or smaller)?
 - Has cultural diversity become larger (or smaller?)

The above mentioned reasons explain why international organizations are called to play a significant role in international political scenario.

Preserving its own cultural identity is a "common good" like the preservation of the Amazonian forest.

The stock of cultural resource,
in the global and local development processes

a) is important *per se*

(merit-goods)

b) is important to preserve cultural diversity

(costs and benefit of cultural diversity)

c) is an input in the aggregate production function

$$Y=F(K,L,E,M,R)$$

d) is important for tourism

Debate - All four points of there are debatable

CULTURAL TOURISM

A Definition :

“ The movement of persons to cultural attractions (away from their normal place of residence) with the intention to gather new information and experiences to satisfy their cultural needs ”

- Cultural tourism is an “old” phenomenon (large number of travellers also in ancient age)
- Destinations: Grand monuments, cities, ... inspired by classic landmarks, and cultural heritage (but also “alternative movements, like hippies in India,...)
- Increased importance, due to the development of “middle class” with income capacity and cultural knowledge

It is difficult to quantify the cultural tourism

(Cultural attribute can be an effective tools of differentiation of different type of tourism, like sea-side tourism)

(Different profiles of cultural tourists)

Economic Reason why tourism development plans are currently so popular In Less-Developed-Countries

- . pattern of international price of agricultural (primary) products
- . poor result of (some) industrial policies
- . (is the industrial development necessary for economic growth?)
- . behaviour of international organization since the 80's
- . transport cost

Economic Reason why tourism development plans are currently so popular In Less-Developed-Regions of Developed Countries

- . industrial crises
- . service expansion
- (. the current *structural change* means expansion of service sector)
- . service sector is LABOUR INTENSIVE

DATA ON INTERNATIONAL TOURISM

Table 1.
Arrivals of international tourists and expenses, 1996 and 2002

DESTINAZ.	Arrivals (in millions)		Arrivals (percent)		Income (in billions dollars)		Income (percent)	
	1996	2002	1996	2002	1996	2002	1996	2002
Africa	20,5	7,2	3,5%	2,9%	8,0	7,0	1,9%	1,9%
America Latina	52,5	35,1	8,8%	6,1%	33,0	14,2	7,8%	3,7%
USA e Canada	62,1	61,9	10,5%	10,8%	73,1	76,9	17,3%	20,6%
Europa	351,6	334,2	59,2%	58,2%	215,7	226,0	51,0%	60,4%
Medio Oriente	15,2	6,9	2,6%	1,2%	8,0	4,0	1,9%	1,0%
Asia - Pacifico	91,4	119,0	15,4%	20,7%	84,7	46,0	20,0%	12,3%
Mondo	593,6	574,4	100%	100%	422,7	374,1	100%	100%

Fonte: per il 1996, Sinclair (1998), pag.4; per il 2002, mie elaborazioni su dati WTO - World Tourism Barometer, vol. 1 No 2, Ottobre 2003.

THE DEMAND FOR TOURISM PRODUCTS (INTERNATIONAL)

Demand function $q_i = f(p_i, p_j, M)$

Evidence on elasticity

Origin to Destination

Rich to Rich: elasticity to income
elasticity to price

Rich to LDC elasticity to income
elasticity to price

Specificity of demand for tourism:

- importance of exogenous shocks (of political, social, natural nature)
- importance of “bandwagon effects”
- ➔ necessity of stabilization of demand

- Consumers’ preferences are exogenous or endogenous?
- Importance of tour operator

- Tourism as an experience good

- Importance of marks (trademarks) for overcoming market failure (?)

Tourism and the stock of (natural / cultural / social) resource

Tourism affects the stock of resources

A dynamic equation for the pattern of the stock

$$\Delta R_t = \alpha \cdot X_t + \beta \cdot I_t - \delta R_t$$

The stock moves over time, due to:

- tourists' presence
 - o However, distinguish “friendly” vs. “unfriendly” tourism, according to whether α is positive or negative
- Specific investment, I , aimed at increasing the resources (when possible)
- Depreciation (or regeneration) of stock

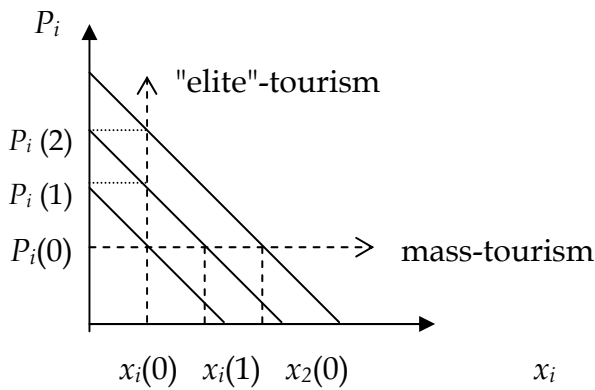
Carrying- capacity:

$$cc = \frac{X_i(t)}{R_i(t)} = \frac{\text{Tourists Presence}}{\text{Resource stock}}$$

Is the carrying capacity linked to the price?

Assume the reservation price of tourists is positively linked to CC:
 how to “use” the increased reservation price?

Figure 2. Dynamics in the (A,k) space, under the case $0 < z(\rho + \delta) < 1, \delta > 0$.



Related questions:

- Elite vs. mass tourism
- Does a tourism destination face the product “life –cycle” experience?
 Or
 Is the “switch” model more appropriate?

A SECOND SET OF BASIC QUESTION:

Is the demand for tourism able to generate new job positions?

More generally:

Is the demand for tourism able to generate GDP increase?

THEORY AND EVIDENCE

The effect of Multiplier ...

... In the case of tourism

In some LDC, tourism development has led to a decrease of GDP

(crowding-out effects)

Data on tourism multiplier:

estimates of tourism multiplier : Bahamas: 0.78

Philippines: 0.82

Sri-Lanka: 1.59

Developed Countries: 2.5-4

As to job creation,

Different types of job positions have to be taken into account

Hard segmentation in labour markets

Large disguised Unemployment in LDC and LDRegions

Necessity for FORMATION

Importance of micro-entrepreneurship (vs. dependent employee)

Is there some specificity connected to cultural tourism?

. The development of cultural tourism can help reducing congestion in some crowded places

... but it can increase congestion in other (superstar phenomenon)

. Cultural tourist have a larger propensity to spend (?)

. Specific job positions are necessary

However, merely offering hospitality and cultural itineraries does not guarantee sustainable or stable economic development

Problems for destinations (Nation, but also Regions), in establishing a development-plan based on tourism

Tourism as a bundles of goods and services ...

Transport,
accommodation,
food,
organization,
specific sites to be visited ...

... to which specific industry correspond, in which CONCENTRATION and MARKET POWER are very relevant

(airlines companies
(tour operator
(tour agencies
(hotels, hotel chains ...

(Moreover, VERTICAL INTEGRATION is quite common)

New forms of tourism

- ➔ Socially responsible tourism
- ➔ Sustainable tourism

However, such type of tourism is not self-establishing!

Is cultural tourism more likely to be "responsible" and "sustainable" ?

(to be finished)