

The Economic Value and Valuation of Architectural Heritage

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Abstract

This study reflects the authors' vision on the value of architectural heritage. The theories of value are examined, and the most explicit theory is identified from a practical point of view. From our perspective, the theory of entropic value is the most explicit theory from the point of view of detailing the reasoning process on the source of value, the value, and the measure of the value. The method of goods real value estimation is explained based on the analysis of the value creation mechanism, according to the entropic value theory. The analysis of the particularities of the architectural heritage from modern theory valuation perspective allowed authors to formulate methodological proposals for value estimation of real estate with cultural, architectural and historical value.

Keywords

Entropic Value, Approaches, Methods, Factors

1. Introduction

The importance, role, necessity and ways of preserving the architectural heritage for the future generations have been intensely discussed in recent decades. The value of cultural heritage, including architectural heritage is examined from different perspectives, and framed from different points of view. During the examination of the issue of architectural heritage value preservation, it was considered necessary to examine the theories of value, the mechanism of value creation, and the ways of value estimation.

2. Value Theory

The theories and concepts on the value described throughout history fall into the

basic economic doctrines [1]-[9]:

- The liberal doctrine includes: the objective theory of value and price (A. Smith), the theory of value (D. Ricardo), contributions to the theory of value (J. B. Say);
- Socialist doctrine: the theory of “constituted value” (P. J. Proudhon), the conception of the essence of value (K. Marx);
- The neoclassical economics (marginalism): the conception of the essence of value (the Austrian school of economics, K. Menger), the conception of the essence of value (the Cambridge school of economics, A. Marshall);
- Post-neoclassical economics: the economics of value (P. Bran), the theory of integral value (S. Muravschi, A. Muravschi), the value theory of products with high energy capacity (Russian school A.V. Orlov, N.D. Batiushkov, etc.).

From our perspective the theory of entropic value is the most explicit theory from the point of view of detailing the reasoning process on the source of value, the value, and the measure of the value. This theory was developed by Paul Bran on the ground of A. Marshall’s ideas.

Citing the father of that theory, “value is in economics what matter is in physics” [10]. We will point out the fundamental ideas of entropic value theory (EVT) emphasizing the value creation mechanisms and the nature of value. The value is created resulting from the triple change (production – consumption – production) of the existing potential (natural, social, primary consumption within the enterprise) at the initial time. The required potential is processed in the initial production process, creating the necessary goods (economic potential, product type) for the subsequent intermediate consumption, during which the service (economic potential, services type) necessary in the next production process is created. For example, the tree (natural potential) processed with the lathe (primary consumption within the enterprise) by a trained man (social potential) is transformed into board, that is included in the next production process (door manufacturing). Consequently, the entropy theory of value considers that the value is created only when the commodity finds its consumer passing through the consumption process (for the subsequent production process).

Describing the nature of value, we will move from complex to simple. It should be mentioned that the production and consumption processes are quite complex and are focused on primary processes. The consumption process includes: the transfer or acquirement of inputs through distribution, exchange, direct takeover; the transformation of inputs through activities such as investments, stock building, purchasing and assimilating information, staff training; the preservation of the transformations results in the form of the elements of the structure and the capacity of this structure to provide services; the transfer of these consequences of the existence of the system to the interior of the respective system and to other systems (economic, society, environment).

The production process includes: the transfer by distribution, exchange, direct takeover of potential from its own structure or from society and environment;