

Defining Wealth: Forms of Wealth

Discovering Eight Forms of Wealth

Individual capital is the stock of skills and physical and mental healthiness of people in a region.

Investments in human capital include spending on skill development (e.g. literacy, numeracy, computer literacy, technical skills, etc.) and health maintenance and improvement. Earnings from investments in human capital include psychic and physical energy for productive engagement and capacity to use and apply existing knowledge and internalize new knowledge to increase productivity.

Social capital is the stock of trust, relationships, and networks that support civil society. There are two forms of social capital; bridging and bonding. Investments in bridging social capital are those that lead to unprecedented conversations, shared experiences, and connections between otherwise unconnected individuals and groups. Investments in bonding social capital are those that strengthen relationships within groups. For example, sponsoring a town-wide festival could be seen as an investment in bonding social capital for town residents. Earnings from investment in social capital include improved health outcomes, educational outcomes, and reduced transaction costs, among others.

Intellectual capital is the stock of knowledge, innovation, and creativity or imagination in a region. Imagination is what allows us to create new knowledge and discover new ways of relating. Investment in intellectual capital is through research and development and support for activities that engage the imagination, as well as diffusion of new knowledge and applications. Earnings from intellectual capital include inventions, new discoveries, new knowledge, and new ways of seeing.

Natural capital is the stock of unimpaired environmental assets (e.g. air, water, land, flora, fauna, etc.) in a region. Natural capital is defined as having three major components: 1) non-renewable resources such as oil and minerals that are extracted from ecosystems, 2) renewable resources such as fish, wood, and drinking water that are produced and maintained by the processes and functions of ecosystems, 3) environmental services such as maintenance of the quality of the atmosphere, climate, operation of the hydrological cycle including flood controls and drinking water supply, waste assimilation, recycling of nutrients, generation of soils, pollination of crops, and the maintenance of a vast genetic library. Investments in natural capital include restoration and maintenance. Earnings or income includes a sustainable supply of raw materials and environmental services. Natural capital and its systems are essential for life. People can destroy, degrade, impair and/or restore natural capital but cannot create it.

Built capital is the stock of fully functioning constructed infrastructure. Built capital includes buildings, sewer treatment plants, manufacturing and processing plants, energy, transportation, communications infrastructure, technology and other built assets. Investment in physical capital is in construction, renovation, and maintenance. Physical capital depreciates with use and requires ongoing

investment to maintain its value. The income or earnings generated by physical capital exist only in relation to its use. For example, sewer and water treatment plants contribute to human capital (health). Schools contribute to human capital (skill development) and social capital (if they are used as community gathering places) and may contribute to natural capital (if they include natural areas that are maintained or protected by the school).

Political capital is the stock of power and goodwill held by individuals, groups, and/or organizations that can be held, spent or shared to achieve desired ends. Political capital is evidenced by the ability of an individual or a group to influence the distribution of resources within a social unit, including helping set the agenda of what resources are available. Investments in political capital are made through inclusive organizing that includes information gathering and dissemination, and increasing voice, access to and inclusion among decision-makers. Engaging players throughout a given value chain for mutual self-interest can build political capital. Earnings from investments in political capital include increased influence in decision making, increased access to and control over other forms of capital, and the ability to engage in reciprocal relationships, among others. Political capital can affect how rural areas are viewed in a regional context. Regions where political capital is equitably distributed or shared are typically characterized by leadership that is broad, deep and diverse; that uses research-based evidence to inform decisions; and that welcomes questions, open discussion, public involvement and help from the outside.

Financial capital is the stock of unencumbered monetary assets invested in other forms of capital or financial instruments. Financial capital, if well-managed, generates monetary returns that can be used for further investment or consumption. For example, financial capital can be invested in land protection through outright purchase or purchase of easements. Public financial capital can be accumulated in a variety of ways including building budget surpluses by collecting more in tax revenues than is spent on services, borrowing through bonding, and charging fees for public services over and above the real cost of services. “Rainy day funds” are an example of public stewardship of financial capital, designed to help society weather risks and uncertainties. In addition, through the growth of the non-profit sector, private philanthropic capital is often tapped for investment in other forms of capital that yield public goods, for example, preventive health care programs to increase individual capital. Stewardship of financial capital implies responsible investment to generate added income as well as elimination of unnecessary cost or waste in providing public goods and services. In creating wealth, we strive to invest financial capital in ways to increase and improve the quality of the other six forms.

Cultural capital is the stock of practices that reflect values and identity rooted in place, class, and/or ethnicity.¹ **Cultural capital influences the ways in which individuals and groups define and access**

¹ Flora and Flora (2004) defined cultural capital as people’s understanding of society and their role in it, values, symbols, and rituals. An example is the “Protestant work ethic,” which Weber (1905) argued was an important factor contributing to the rise of capitalism in the West. Choby defined cultural capital as “*the rules for engaging other types of capital (human, economic, social)*” <http://pattichoby.wordpress.com/2010/06/05/what-is-cultural-capital/>.

other forms of capital. Cultural capital includes the dynamics of who we know and feel comfortable with, what heritages are valued, collaboration across races, ethnicities, and generations, etc. Investments in cultural capital create or sustain the values, traditions, beliefs, and/or language that become the currency to leverage other types of capital. Investments in cultural capital could include support for venues to showcase cultural achievements, programs to preserve and pass on cultural knowledge and skills, and support for cultural transformations, among other things. “Income” from investments in cultural capital may include increased “buy in” to institutional rules and shared norms of behavior, strengthened social capital and increased access to other capitals through increased visibility and appreciation of cultural attributes and through cultural transformation, e.g. acquisition of language skills. We have not included cultural capital in the wealth matrix as a separate form of wealth to be measured because culture is expressed through the values, behaviors, and ownership patterns associated with the other seven forms of wealth. Where specific aspects of culture are critical to wealth creation, they can be defined and measured in relation to other aspects of wealth. For example, if a language or a craft is a critical form of wealth for a community, it can be defined and measured as a form of individual, intellectual and/or social capital. If shared savings is an existing or desired cultural norm, it can be measured as part of financial capital.