

Six Forms of Wealth

In this document, we consider six forms of wealth that the FairShares Model enables you to bring under democratic control. You can assess an organisation's impact on each form of wealth using the [FairShares Advanced Wealth Audit](#).



1. Natural Wealth

Natural wealth (sometimes called 'natural capital') is provided by nature in the form of land, air, water, minerals and the chemical processes that take place irrespective of the existence or presence of human beings). It increases when nature is stewarded in a way that improves the health and well-being of living things in an ecosystem and degrades when the ecosystem is harmed. In organisations, natural wealth is depleted when non-renewable sources of energy, materials and goods are used. It is also depleted if goods are not recycled effectively after use. Some enterprises (such as those based on eco-entrepreneurship, eco-tourism or social agriculture) actively seek to steward and improve the physical environment (e.g. land use, air and water quality). Think about the way your enterprise/project uses land, air, water and minerals, and evaluate whether they are sourced, managed and developed in ways that sustain them. Natural wealth comes from **natural resources** (land, air, water and minerals) and **natural processes** (chemical reactions).

2. Human Wealth

All enterprises require some human effort (which economists call 'human capital'). The wealth provided by people (human wealth) can increase if the enterprises we work are organised to maintain or improve our skills, qualifications and technical abilities. Human wealth can also be assessed in terms of our health and well-being. In short, if an enterprise or project deskills its workforce and/or members and/or customers, or harms their health, then it degrades human wealth. Deskilling in one area can be offset by retraining, education and professional support in new areas. When considering human wealth, think about the impact of your enterprise/project on the skills, capabilities and well-being of the people affected by it. Human wealth comes in the form of **workers' health, skills and abilities**.

3. Social Wealth

Social wealth (sometimes referred to as 'social capital') is linked to social networks, particularly those where members have a sufficient level of trust for network members to communicate effectively and provide each other with valuable resources. A person who has social wealth has access to one or more social networks that enable them to find out information and access resources. Social wealth (capital) is also theorised in terms of the trust generated by relationships. A trusted person has more social wealth than someone who is not trusted because the trusted person will not only feel better in themselves, but also find it easier to access resources within their social networks. For example, if an enterprise does not have good relationships with trade unions (or trade union members), customers and an investment community, it will have less social wealth than those with good labour, customer and (public, social or private) investor support. When considering social wealth, think about the size and quality of the social networks created (or harmed) by enterprise/project activities. Social wealth comes in the form of **networks of people in high trust relationships**.

4. Intellectual Wealth

Intellectual ideas are one of the products of human endeavour that - once written down - have an existence and influence separate from their creators. Intellectual wealth (sometimes called IP) takes the form of written down know-how and design ideas created by workforce members. These design ideas often arise out of extensive periods of dialogue between an enterprise's primary stakeholders.



Intellectual wealth is increased if workforce members develop clearly articulated design ideas that can be shared across social networks (or with third parties) in an accessible and usable form. If they are not shared - or they are shared in a way that restricts or hampers others' ability to use them effectively - then intellectual wealth is depleted. When considering intellectual wealth, consider the number, quality and availability of **workers' ideas and designs** produced by your enterprise/project.

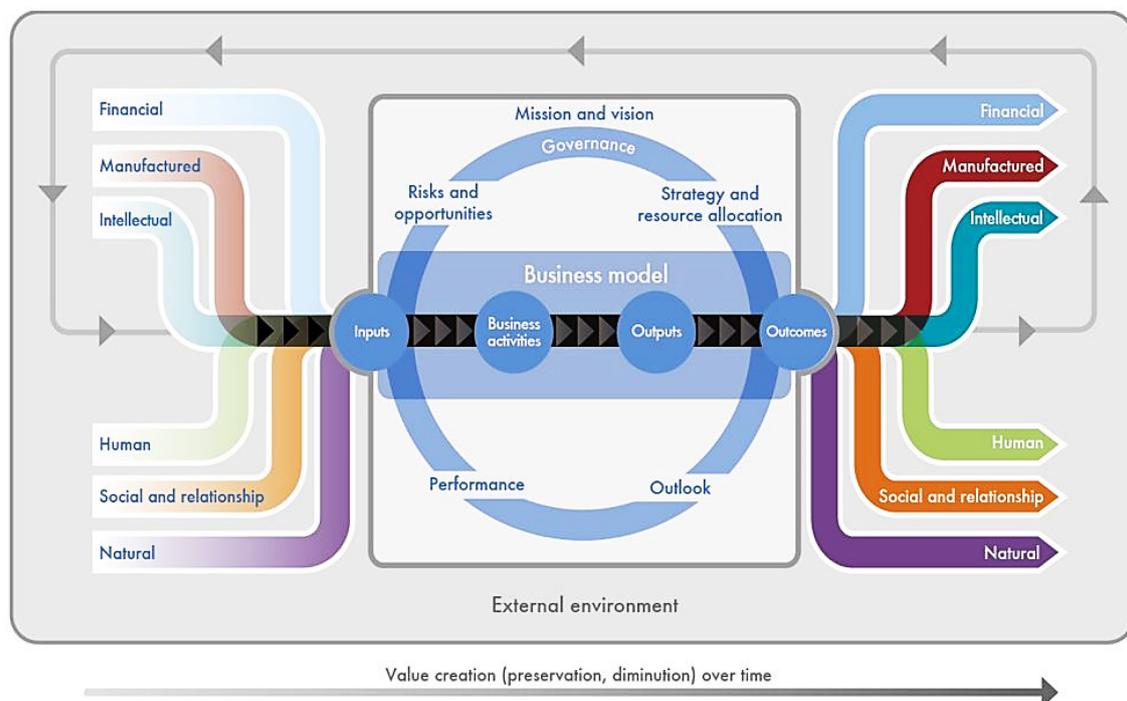
5. Manufactured Wealth

Manufactured wealth can be differentiated from financial wealth. Manufactured wealth is generated when human endeavours turn natural and previously manufactured wealth into new goods (machinery, tools, buildings) and services. Your enterprise/project will use goods and services created by others whilst creating its own. Manufactured wealth is increased if the enterprise/project creates products that enable itself (and others) to engage in economic activities. In the FairShares Model, 'manufactured wealth' is defined as the productivity that comes from well-manufactured goods. When considering manufactured wealth, consider how the enterprise/project uses up and/or adds to the quality of manufactured goods (**tools, machinery, premises, services**) and how accessible they are to primary stakeholders.

6. Financial Wealth

Lastly, people in enterprises spend and generate money. Financial wealth decreases when money is spent on acquiring resources, equipment and labour. It increases when goods/services are sold, or fundraising efforts are successful. This type of wealth is relatively easy to measure because accounting practices are currently based on tracking rises and falls in funding levels, changes in cash flows and the nett value of surpluses/profits from trading activities. When asked about financial wealth, think of the money used and/or generated by your enterprise/project.

The following figure may help you understand the importance of the six types of wealth as well as what is lost when an enterprise ceases to exist.



Integrated Report Council Report, 2013.

Access from: <http://integratedreporting.org/what-the-tool-for-better-reporting/get-to-grips-with-the-six-capitals/>



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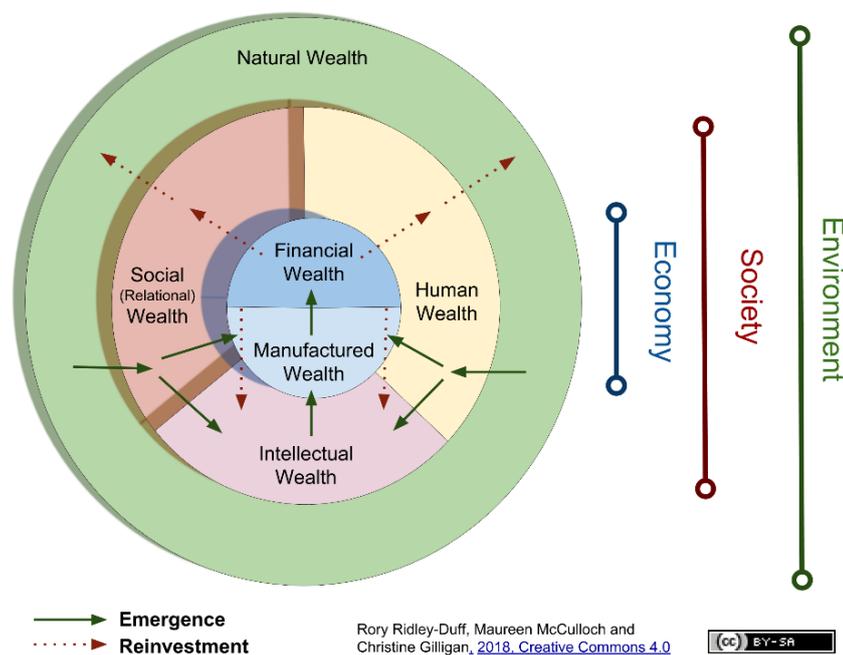


Critiquing the Six Forms of Wealth

The Integrated Reporting Council represents the six forms of wealth discussed here as ‘six capitals’. ‘Capital’ is associated with capitalism. The dominant approach to capital since Adam Smith’s *Wealth of Nations* and Marx’s *Capital* has been to regard it as a stock or resource that can be accumulated, then subjected to regimes of ownership in the service of economic production. That is not the case here. A small group of radical accountants at the Institute of Chartered Accountants of England and Wales organised the [Rethinking Capitals](#) conference in London in 2014 where they critiqued the traditional approach to capital. This document is our first attempt since to develop an alternative conceptualisation. Maureen McCulloch and Rory Ridley-Duff published a short paper in a follow up book (‘Series 4 of Rethinking Capital’) called [Beyond Accounting for Capitals](#). This argues for the recognition and reward of a wider range of capital contributions. But why not call ‘capital’ what it is – ‘wealth’ – and ensure a balance between private and cooperative wealth by allocating some wealth (where possible) to a ‘commons’ for everyone to access?

FairShares challenges the current conceptualisation of capital to argue that contributions of wealth can be natural, human, social, intellectual, in the form of manufactured goods/services or financial. This subverts the idea that only financial capital contributions should: a) entitle the contributor to membership; b) entitle the contributor to a return on their contribution, and; c) give the contributor legal title to their contribution so they can withdraw or sell it. Within FairShares, members recognise human, social and intellectual contributions as [‘qualifying contributions’](#) for membership (amongst Labour and User members). These contributions entitle contributors: to voice rights on governing bodies; to a share of the benefits created by the enterprise/project (e.g. dividends or surpluses), and; to have a say in how benefits are allocated.

The diagram by the Integrated Reporting Council also gives the impression that each capital is independent of the others. This is misleading. The Six Forms of Wealth approach asserts that each form of wealth is



interdependent with the others. Natural wealth is present in all the other forms. Green economists have helpfully investigated this interdependence between forms of wealth.¹ Manufactured and financial wealth are situated as something that emerges from (and which are embedded within) human, social and intellectual wealth. Products and services emerge from ideas (intellectual wealth) incubated and refined by networks of people (social wealth) who then organise production (using human wealth). It is this that enables tangible goods to be created (manufactured wealth) and sold in marketplaces (to generate financial wealth). It is worth remembering that

everything depends on natural wealth (from the molecules that make up living things, to the minerals and chemical processes used in industry and the electrons in digital networks that represent our money).

The view set out here is that wealth is generated by stewarding nature to enhance human skills and capabilities, and is built through relationships between people who share their ideas and stimulate the production of goods and services that meet human, societal and environmental needs. By recognising and rewarding these six forms of wealth creation, a more ethically grounded concept of wealth can guide human endeavours to create, distribute and reinvest ‘capital’ to meet a wide variety of needs.

¹ See Scott Cato, M. (2009). *Green Economics*. London: [Earthscan](#), pp. 36–37.