

The Five Capitals Model

We are facing a sustainability crisis because we're consuming our stocks of natural, human and social capital faster than they are being produced. Unless we control the rate of this consumption, we can't sustain these vital stocks in the long-term. We believe that by maintaining and trying to increase stocks of these capital assets, we can live off the income without reducing the capital itself. But for this to happen, it is the responsibility of every organisation, business or otherwise, to manage these capital assets sustainably.

There are five types of sustainable capital from where we derive the goods and services we need to improve the quality of our lives.

Natural Capital is any stock or flow of energy and material that produces goods and services. It includes:

Resources - renewable and non-renewable materials

Sinks - that absorb, neutralize or recycle wastes

Processes - climate regulation

Natural capital is the basis not only of production but of life itself!

Human Capital consists of people's health, knowledge, skills and motivation. All these things are needed for productive work. Enhancing human capital through education and training is central to a flourishing economy.

Social Capital concerns the institutions that help us maintain and develop human capital in partnership with others; e.g. families, communities, businesses, trade unions, schools, and voluntary organizations.

Manufactured Capital comprises material goods or fixed assets which contribute to the production process rather than being the output itself – e.g. tools, machines and buildings.

Financial Capital plays an important role in our economy, enabling the other types of Capital to be owned and traded. But unlike the other types, it has no real value itself but is representative of natural, human, social or manufactured capital; e.g. shares, bonds or banknotes.

Sustainable development is the best way to manage these capital assets in the long-term. It is a dynamic process through which organizations can begin to achieve a balance between their environmental, social and economic activities. For further information, refer to...

Jonathan Porritts ground breaking book: Capitalism: As If The World Matters

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