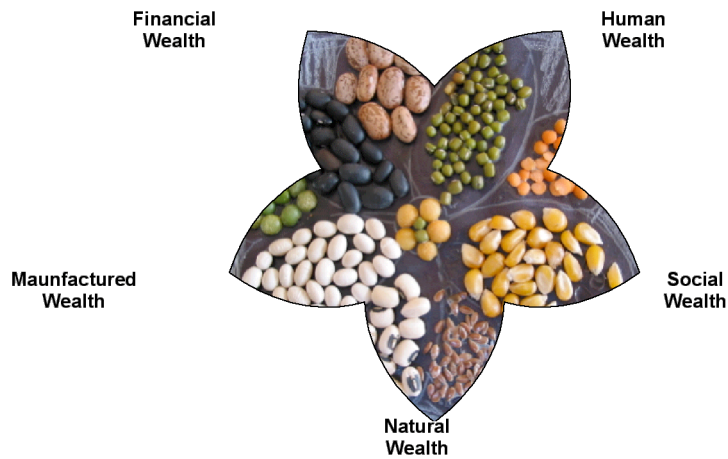
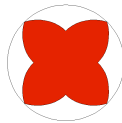


# Genuine Wealth Accounting (GWA)

*Measuring the Sustainability of Communities*



Copyright 2007 Mark Anielski



**ANIELSKI**

**Management Inc.**

[www.anielski.com](http://www.anielski.com)

9847 - 90 Avenue, Edmonton, Alberta, Canada T6E 2T2

## **Table of Contents**

<b>What is Genuine Wealth?</b> .....	<b>3</b>
<b>What is the Genuine Wealth Project?</b> .....	<b>3</b>
<b>Why Conduct a Genuine Wealth Assessment (GWA) for your Community?</b> .....	<b>4</b>
<b>What is Genuine Wealth?</b> .....	<b>4</b>
<b>How does the Genuine Wealth Accounting Process Work?</b> .....	<b>5</b>
<b>The Genuine Wealth Assessment Process: How it Works</b> .....	<b>7</b>
<b>Background</b> .....	<b>12</b>
<b>The Need for a Renaissance in Economics and Accounting</b> .....	<b>12</b>
<b>Redefining Accounting, Wealth, Capital and Economics</b> .....	<b>12</b>
<b>What is Genuine Wealth?</b> .....	<b>13</b>
<b>Genuine Wealth of Communities: Assets, Liabilities, and Equity</b> .....	<b>20</b>
<b>Acknowledgements</b> .....	<b>22</b>

# The Genuine Wealth Accounting (GWA) for Building Sustainable Communities

*Accounting and managing that which makes life worthwhile*

“Too much and too long, we seem to have surrendered community excellence and community values in the mere accumulation of things. The Gross National Product includes air pollution and advertising for cigarettes, and ambulance to clear our highways of carnage. It counts special locks for our doors, and jails for the people who break them. GNP includes the destruction of the redwoods and the death of Lake Superior. It grows with the production of napalm and missiles and nuclear warheads. And if GNP includes all this, there is much that it does not comprehend. It does not allow for the health of our families, the quality of their education, or the joy of their play. It is indifferent to the decency of our factories and the safety of our streets alike. It does not include the beauty of our poetry or the strength of our marriages, or the intelligence of our public debate or the integrity of our public officials. GNP measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country. It measures everything, in short, except that which makes life worthwhile.”

—Robert F. Kennedy  
March 18, 1968

## What is Genuine Wealth?

It has been said that *too often know the cost of everything and the value of nothing*. We have also confused the original meaning of words like wealth, economic, community, and competition.

The word **wealth**<sup>1</sup> originates from the Old English meaning “the state, condition or quality of well-being.” Broken down it is comprised of two words: **WEAL** (well-being, a sound or prosperous state or welfare (the public weal) and **–TH** (the state or quality of being or having [wealth]).

Based on this original definition, wealth is much more than **financial** or material assets (or capital). Real wealth is broader including at least four other assets: **human capital** (personal, professional, spiritual well-being), **social capital** (relationships), **natural capital** (nature’s resources and environmental quality) and **built capital** (manufactured goods and infrastructure).

To be **genuine** means to be true to our values. Thus **Genuine Wealth** refers to the state of well-being that is true to our core values. The concept of genuine wealth can be applied to ourselves, our families or households, to our workplace and to our community.

The concept of genuine wealth is particularly appropriate for a community since the word **community** comes from the Latin meaning fellowship (*communitas*) and the condition of living with others.<sup>2</sup> The word **compete**, which has a similar root word *com* (together) as community, comes from the Latin (*competere*) meaning to strive or seek together (*petere* means “to seek” in Latin).

To build genuine wealth at the community level is thus to strive or seek together (i.e. compete) the good of the commons through shared responsibility for the stewardship of the common-wealth (the well-being of the community).

## What is the Genuine Wealth Project?

The Genuine Wealth Project is about *building communities for life* by identifying, implementing, and measuring that which makes life worthwhile in a specific city, town, or region. The project’s intent or outcome is to help communities (comprised of households, businesses and other organizations) build stronger, sustainable, and more vibrant community by assisting government, business, and not-for-profit leaders to view their community’s genuine wealth (the conditions of well-being) as an integrated whole. The Genuine Wealth project facilitates the development of a community-owned plan of action for building and sustaining the genuine wealth of each unique community. Additionally, it results in a system of

<sup>1</sup> Webster’s New World Dictionary, Second College Edition, 1986.

<sup>2</sup> *ibid.*

accountability, providing local decision makers with the tools to measure and report on progress towards the shared quality of life goals of improving well-being for all and achieving community sustainability.

## Why Conduct a Genuine Wealth Assessment (GWA) for your Community?

Why conduct a Genuine Wealth Assessment for your community? The Genuine Wealth Assessment (GWA) is a strategic-business planning tool and community development process that will help your community:

- Determine your shared quality of life values and identify well-being indicators that genuinely align with your community's values.
- Identify your real assets (human, social, natural, built and financial capital) that contribute most to your community's real or genuine wealth (conditions of well-being) as well identifying the strengths and opportunities (weaknesses) of those assets.
- Complete a *Well-being Checkup*: Like your annual medical checkup, the GWA provides a complete well-being assessment of the current (and historical) conditions of well-being (economic, social, health, and environmental) using a variety of well-being indicators. Your community's well-being profile can also be compared with other communities in Canada to identify comparative advantages and areas needing improvement.
- Identify community projects, processes, and tools that will help build genuine wealth and improve well-being and quality of life.
- Strengthen your strategic-business planning process by taking a more comprehensive or holistic accounting of the total genuine wealth of your community thereby strengthening your policy and management decision making processes.

## What is Genuine Wealth?

*It is often said that we too often know the cost of everything and the value of nothing. For example, we might know the money-value of our bank account or our investment portfolio, yet we know little about the real value of the things that actually make life worthwhile.*

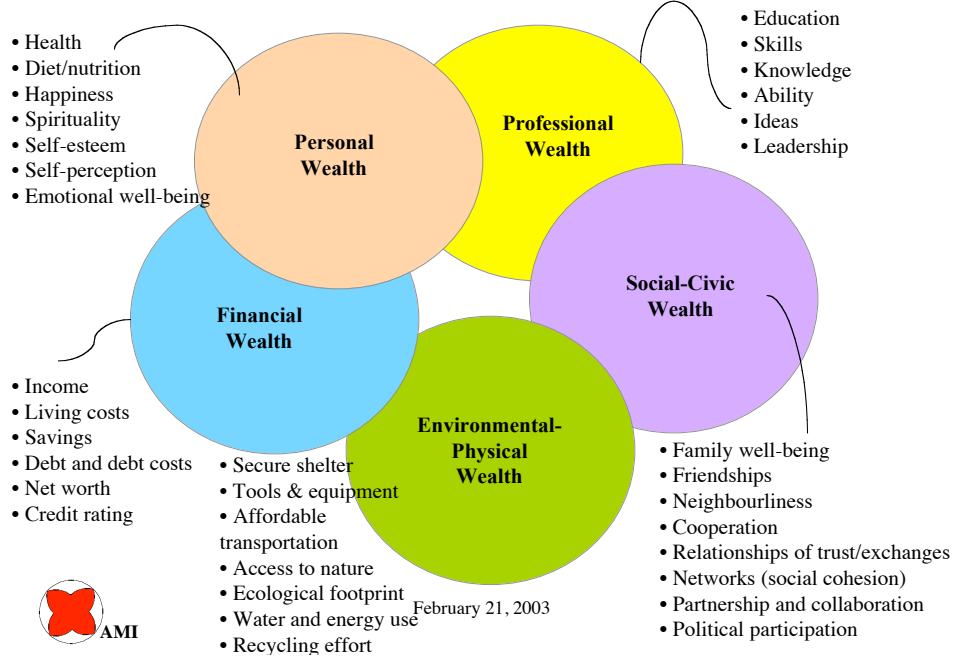
Genuine wealth includes the strength of our relationships, the joy of our children's play, the beauty of nature and our sense of happiness with life. What is genuine is that which resonates with our hearts, minds; our values and our principles.

Genuine wealth encompasses five arenas key aspects of personal, household and community well-being: **personal, professional, social/civic, physical/environmental and financial well-being.** These five arenas of wealth are equally important in contributing to your quality of life. These are the your core "assets" of your households and together with your neighbours represent the community's assets.

The following picture provides a preliminary inventory of what we might count as genuine wealth. Yet, each of us will have our own genuine wealth strengths, capacities, capabilities and dreams. We need to celebrate all of these assets and recognize that our community is stronger when we both understand our real wealth and we build relationships to strengthen our collective well-being.



## Five Arenas of Genuine Wealth



We can define our five arenas of genuine wealth that make up our portfolio of skills, capabilities, dreams and relationships. For example, our genuine wealth account or “balance sheet” might include:

- sense of happiness with life;
- physical, mental and spiritual health
- satisfying and meaningful work
- healthy eating and lifestyle
- friendships
- the joy of loving relationships with our spouse, children, and family;
- networks, clubs and associations with others
- time for reflection, prayer and “smelling the roses”
- financial security;

Each of us will define “the good life” from our unique perspective and experience. All are “genuine” wealth of our community as a whole.

## How does the Genuine Wealth Accounting Process Work?

The **Genuine Wealth Accounting** model assists business and community leaders to identify, measure, and manage the things we value most.

The **Genuine Wealth Accounting (GWA)** model, developed by Mark Anielski, is a sustainability planning, measurement and management tool that involves a number of steps in a life-cycle process. The following are some of the key attributes of the GWA:

- ❖ The GWA model is a sustainability planning and measurement system that helps leaders to identify, implement, and measure the conditions of their community assets that contribute to sustainability and a flourishing society. The GWA yields a comprehensive

and accurate portrait of quality of life and sustainability of the community of use to decision makers in government, business, and community organizations;

- ❖ GWA helps organizations measure, assess and manage their total wealth (*the conditions of well-being*) -- human, social, natural, produced, and financial capital assets. These assets are the *resources* (the common wealth) that the community is endowed with to be managed for the common good of the community both for current and future generations. The result is a regular well-being assessment of the genuine wealth of the community including an annual “Genuine Wealth State of the Community” report, a Genuine Wealth Index (a composite measure of total well-being) and a “comparative wealth advantage” audit of the community vis-à-vis other communities
- ❖ GWA is a practical tool for accounting for the “triple bottom line”-- financial, social and environmental – performance of the municipal or regional government.
- ❖ GWA also includes tools for “full cost accounting” of the full monetary benefits and costs associated with managing the wealth of the community for sustainability and well-being goals. GWA allows decision makers to account for the productivity (efficiency and effectiveness) of managing the community’s capital assets and thus assess the real returns to community capital.
- ❖ GWA helps communities plan, manage, and make decisions based on the values and priorities of its citizens and organizations. Decision makers can then connect the shared quality of life values of citizens -- those values “that which makes life worthwhile” -- with a communities wealth management goals and strategies. “Genuine progress” can be assessed in accordance with the shared values of the “care-holders” -- citizens, households, businesses, elected officials and other members of a community.
- ❖ GWA is a practical process and set of tools for strategic-business planning to assist communities and business in measuring and managing that genuine wealth in accordance with the vision and goals for sustainability of the community. GWA helps communities or organizations align their vision, operating principles, core values and goals with “genuine progress” indicators that track both the conditions of their five capital assets and the trends in their condition. With such knowledge, decision makers can make wiser and more informed investment decisions to ensure the highest return on life capital assets for sustained or improved community well-being.
- ❖ The GWA helps investors decide where to investment money, time, energy and resources to sustain or increase the total wealth of the community. This includes helping guide financial investment decisions including credit and lending decisions by banks and financial institutions to invest in maintaining and enhancing total wealth of the community.
- ❖ Finally, the GWA, as a process of total wealth management and accountability, helps the community review and celebrate progress, through an annual “town hall” meeting to celebrate, assess, and debate the wealth of the community and to focus on continuous improvement of the conditions of quality of life.

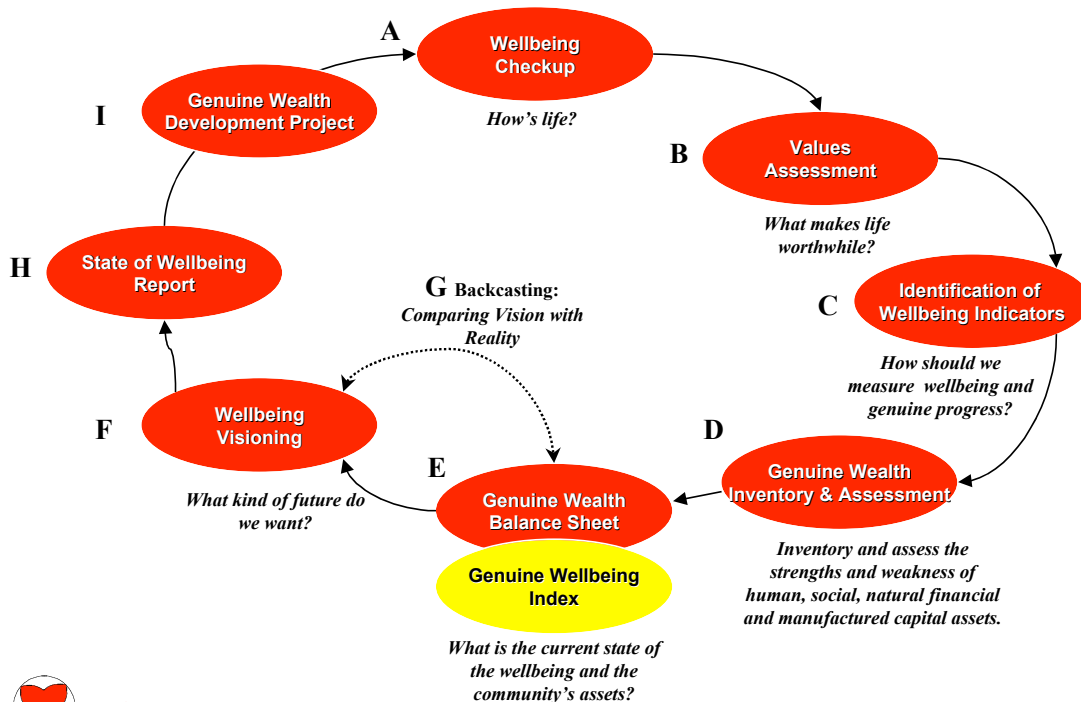
The GWA goes beyond conventional *economic* measurements of the quality of life (such as the Gross Domestic Product) providing a more comprehensive and meaningful system of measuring the *human, social, and natural or environmental* wealth. The result is a Genuine Well-being



Index plus a set of sustainable well-being indicators to track and report on progress that is genuinely aligned with one's values. These indicators can be organized in a unique and integrated "new wealth balance sheet" that shows the strengths (assets) and weaknesses (liabilities or concerns) of the community's wealth. Decision makers are empowered with a comprehensive portrait of well-being with an expanded understanding of the key trends that are influencing genuine wealth and thus to act on these trends. Wiser decisions on how to invest human, nature's and financial resources for sustaining genuine wealth are made possible with the GWA.

## The Genuine Wealth Assessment Process: How it Works

### The Genuine Wealth Assessment Life-Cycle Model



The Genuine Wealth model is a combination of a strategic-planning and well-being assessment life-cycle process, that follows a number of steps:

#### A: Well-being Checkup

- ❖ Using various diagnostic tools and indicators we will help conduct an initial checkup on your community's quality of life getting to the heart of the question: How's life?
- ❖ Like a medical checkup, we will assess the current state (conditions) of economic, social and environmental well-being using a number of key well-being diagnosis indicators we have developed for our well-being diagnosis.
- ❖ We will provide a comparative analysis of your community in relationship to other similar benchmark communities to explore your comparative advantages (or weaknesses).

## **B: Values Assessment**

- ❖ Using a process of community dialogue and citizen engagement we will facilitate an assessment of your community's core values getting to the heart of the question: what makes life worthwhile in your community?
- ❖ We help you identify the things that make life worthwhile for you and your family in your community.
- ❖ To help identify your "genuine well-being indicators" we ask five fundamental questions about quality of life in your community:

1. How's life?
2. What do like most about your community (e.g. strengths or assets)?
3. What is going well for a) you personally; b) your family? c) your community?
4. What do you like least about your community (e.g. weaknesses or liabilities)?
5. What areas of community quality of life would you like to see improved?

## **C: Identification of Indicators**

Through a series of both expert and citizen stakeholder consultations, meaningful indicators of well-being and sustainability are identified. This step is partly informed by the response to some of the questions posed of citizens and other stakeholders in Step B. For example, what stakeholders reveal as being most valuable to them guides the selection of indicators that when report in the future will be meaningful to the community. These indicators may come from conventional sources (e.g. Statistics Canada) or inspired by other sustainability indicators selected by other benchmark communities. What is important, however, is that any set of indicators be selected with are relevant to the citizenry and aligned with the unique values of the community, since each community has unique quality of life attributes.

## **D: Genuine Wealth Inventory and Assessment**

Working with various key stakeholder groups in the community (especially youth) a comprehensive inventory and assessment of the "stock" of core human, social, natural and built (manufactured) and financial assets of the community is conducted. Like any inventory, this involves taking stock of what is most valuable to a community by identifying and accounting for -- in physical and qualitative terms -- both community (including household and business) assets and possible liabilities.

The result is a kind of asset map of a community. Assets might range from diverse set of resources such as skills, capacities, personal free time, parks, bike trails, infrastructure, financial assets, or natural resources (trees, water, green space). In addition, community "deficits" or weaknesses will also be identified and recorded since the intention is to celebrate one's assets while identifying weaknesses that become tomorrow's "to-do" list of actions.

The only limit to this inventory is the capacity and energy of the community to conduct such a community asset assessment. In addition to the inventory conducted by the community, Mark Anielski will also prepare a statistical inventory of relevant information about the communities key assets from sources such as Statistics Canada or regional/provincial statistical sources.





## **E:     *Genuine Wealth Balance Sheet***

Once the inventory of community assets (and liabilities or weaknesses) is completed a “**Genuine Wealth Balance Sheet**” is prepared by Mark Anielski which reveals the condition of the assets and liabilities of the community; a kind of well-being “checkup,” Using the indicators of well-being and sustainability identified in Step B, a balance sheet is developed which reveals both the current condition and “depreciation” (loss of quality or quantity) or “appreciation” (improved quality or quantity) of the key assets that are seen as valuable for a sustainable and flourishing community. What is unique about this balance sheet is it’s comprehensive and integrated assessment of human, social and natural capital combined with an accounting of the built (manufactured) and financial capital assets that are collectively critical to sustainability. If any one asset is weak then the community, as a system, is also less robust than it might be.

Using a unique data indexing system developed by Mark Anielski, raw data inventory is converted to indexed scores (out of 100 basis points) to provide a meaningful, comprehensive and comparable image or portrait of the conditions (i.e. “health”) of a community’s assets revealing both their relative strengths and weaknesses. This community balance sheet can also be compared with other communities, using similar indicators of community well-being and sustainability.

In addition to providing a real-time snap-shot of the conditions of a community’s assets, trends in the condition or state of these assets is also examined. This data may come from traditional statistical sources, such as Statistics Canada.

## **F:     *Well-being Visioning***

Once a community has examined its Genuine Wealth Balance Sheet or completed its sustainability/well-being diagnosis it is time to ask: “what kind of future do we want for our children and their children?” If sustainability is, as Bill McDonough notes, about “loving all the children” (for all time), then given the current state of the communities assets and resources, what kind of asset “gardening” should we do on Monday morning to ensure sustained well-being for future generations? In other words, what kind of community asset balance sheet do we want our grandchildren to inherit that would give us peace of mind and heart? A community is better equipped to have this dialogue with a full set of community asset accounts. This process must involve the entire community across all age and sex and race cohorts to ensure equal and effective representation.

## **G:     *Backcasting***

Backcasting involves comparing the current “conditions of well-being” (i.e. the state of our wealth) with our vision for future generations. In that examination we look at the gaps between the desired future and the actual conditions of reality. How big are those gaps? Can they be reconciled? Does a large gap suggest we need to act tomorrow to be more frugal or better stewards of the assets which may be depreciating at rates that limit the options of our grandchildren? Backcasting can be a powerful process that leads us to action on Monday morning to change behaviours, business plans and policies. The onus is on ensuring that all wealth is conserved for the benefit of a flow of services to future generations. This is at the heart of sustainability.



## **H: State of Sustainable Well-being Report**

Drawing all the information together from the previous steps, a State of Sustainable Well-being Report can be prepared, a kind of annual diagnosis on sustainability to the citizens of a community. The report contains the fundamental values and operating principles and ethical foundations of the community along with a new balance sheet showing the current (and historical) conditions of the community's assets (and liabilities). It also reveals the distribution of wealth in the community addressing the all-to-often ignored issue of inequality or inequitable distribution of financial and material wealth. The report is prepared for the benefit of all citizens and decision makers in the community. The first report sets the benchmark for future progress reporting. The first report leads to a logical debate: what kind of community do we want tomorrow and where and how do we invest the resources and assets that are available? The report reveals both the strengths and weaknesses of the community like an honest medical checkup. Weaknesses become our Monday's "to-do-list" while assets are celebrated and nurtured to ensure they are not allowed to degrade over time.

The report contains sustainable well-being indicators and a composite Well-being Index that provides an integrated, composite picture of the community using a number of well-being proxies (the sustainable well-being indicators). An index, if developed based on an assessment of the shared values of members of the community, can be a powerful communication tool that gives a landscape portrait of well-being while avoiding being lost in the trees of too much information. However, like any index, they should be used with respect and caution honouring the complexity of measuring well-being and sustainability. If the index is developed from indicators that are weighted according to the value citizens place on the issues they measure, then an index can have meaning and relevance in assessing overall well-being.

The Sustainable Well-being Report should be available to all citizens and decision makers in the community providing a kind of regional balance sheet from which all individuals, households, businesses, governments and other organizations might use to guide their decision making, budgeting and policies.

## **I: Genuine Wealth Development Projects**

With the help of the Genuine Wealth assessment, projects can be identified that will help to build or improve community assets or deal with liabilities or well-being deficits. Projects should be linked to improving the conditions of well-being of the community as a whole (i.e. improving the state of the community's balance sheet and building real assets). A direct budget link needs to be made between the project and the Genuine Wealth Balance Sheet so that real returns (improved well-being) can be accurately accounted for and reported to citizens in future reporting seasons. It is critical to celebrate success and progress. It is the little steps and investments in sometimes insignificant initiatives that ultimately add up to building and sustaining real wealth.

**The Cycle Begins Again:** The Genuine Wealth systems is a life-cycle of continuous improvement. Each subsequent planning and reporting cycle, with an honest performance review, will lead to an improved system of sustainable wealth management. The onus is on learning through practice with a commitment to an objective annual review of the strengths and



weaknesses of the process itself. Through such a system of genuine wealth measurement and management, I believe that real sustainability is possible.

# Background

## The Need for a Renaissance in Economics and Accounting

My proposed Genuine Wealth model is based on my belief that the time has come for a renaissance in both economics and accounting. To go beyond the limited financial measures of performance to a new and expanded total wealth measurement system, I call “**genuine wealth**.” In order to pursue the goals of sustainability for our world and our children, we need new tools for accounting for our real wealth. We need a “**new genuine wealth balance sheet**” for our businesses, organizations and communities that reveal the real assets that intuitively contribute to our well-being. I am proposing a Genuine Wealth model for measuring and managing our real wealth – those things that, in our hearts, make life worthwhile.

We have become familiar with words like *natural capital* and *social capital*. Fritjof Capra (*The Web of Life*) called *Natural Capitalism*, authored by Paul Hawken, Amory Lovins, and Hunter Lovins, “a conceptual milestone on the road toward ecological sustainability.” Prof. Robert Putnam has popularized the concept of “social capital” in his book *Bowling Alone*.

The **Genuine Wealth Accounting (GWA)** sustainability accounting and performance measurement system was designed to help communities build and sustain their human, social, natural, manufactured and financial “capital” assets: their real wealth.

The **GWA** is also a sustainability planning process that engages the whole community in identifying their quality of life values, developing a vision for a sustainable future, designing a sustainability business plan to get there and a sustainability measurement and management system to assess progress on the sustainability journey.

The result of a **GWA** process is a new and expanded “genuine wealth balance sheet” that reveals the assets (strengths) and liabilities (weaknesses) as well as how the “real wealth” of the community are distributed amongst its members. The **GWA** recognizes that real progress is made when both financial, social and environmental well-being are optimized. For too long have we measured progress through the narrow lens of financial profitability for business or in terms of the Gross Domestic Product (GDP) for communities and nations. It is time for new measures of genuine well-being and progress. It’s time we measured the genuine returns to all of our capital assets: human, social, natural and manufactured capital.

## Redefining Accounting, Wealth, Capital and Economics

The father of accounting was a 16th century Franciscan monk named Luca Pacioli (1445-1517). Luca, a close friend of Leonardo Da Vinci, designed a double-entry booking keeping system that would help Venetian business people operate better, more effectively, and more efficiently businesses. Luca encouraged business owners to keep good inventories of their core assets, both for their businesses and their households, in the form of ledgers and a balance sheet. These ledgers would help to keep track of both the physical and monetary value of the assets and liabilities of each business. Luca encouraged business people to see that the assets of the business were inextricably linked to the assets and well-being of the household (*oikos* in Greek). While Pacioli brought us accounting definitions like “debit” and “credit”, ledgers, balance sheet and income statements, he never actually defined the words “wealth” nor “profit.” It is ironic, that to this day accountants lack a clear definition of both wealth and profit. We have a lot to learn from Luca Pacioli but more importantly we have an opportunity to rediscover the true meaning of “wealth” and “profitability.”

*What is wealth?* The word **wealth** literally means “the condition of being happy and prosperous: well-being” in Old English.<sup>3</sup> Wealth is analogous to “health.” “Genuine” wealth is the “conditions of well-being” (both individual and as community) that align with our values: the things that we know contribute to the good life.

The word **capital** is synonymous with the word wealth. Capital means “*Wealth, in whatever form, used or capable of being used to produce more wealth.*”<sup>4</sup> **Capital assets** are defined in the dictionary as “*any assets, tangible or intangible, that are held for long-term investments.*” Thus, capital is a base of assets that provides a household or community or business to pursue a set of economic, social and environmental desired outcomes that support and sustain well-being or quality of life.

**Resources** are the a) means of supplying some want or b) a stock or reserve upon which one can draw when necessary or c) capability in adapting means to ends, or in meeting difficulties.<sup>5</sup> Resources can be drawn upon to build real wealth. Resources include our life capabilities and skills (human resources), natural resources, financial resources and community (social) resources.

*What is economics?* The word “**economics**” literally means “household stewardship” from the Greek *oikos* (household) *nomia* (management or rules of stewardship). The “**ecology**” comes from similar Greek roots meaning *oikos* (household) *logia* (knowledge or logic).

We might expect that genuine economists would be concerned with measuring the conditions of well-being of households, businesses and other organizations that make up a society or community. Instead most modern economists are concerned with what Aristotle defined as **chrematistics**<sup>6</sup> – the science and acquisition of financial wealth or money. This includes measuring things like the growth in the gross national product – the measure of the monetary value of all goods and services traded in a society or “economy.”

Genuine wealth and real economists must be concerned with more than financial assets, increasing the gross national product (GNP) or a rise in the stock market indices. The study of genuine wealth should be focused on all the conditions of well-being or quality of life that “makes life worthwhile”, that is, those characteristics that make for a vibrant, flourishing and enduring community that lives in harmony with nature.

## What is Genuine Wealth?

Having rediscovered the origins of the words wealth and the language of economics, how would we measure “**genuine wealth**?” If **wealth** means “the condition of well-being” then things we “value” the most in life would be defined as our **genuine wealth** (genuine defined as those things we consider to be true and aligned with our core values, virtues or principles of living). Genuine

---

In the Oxford English Dictionary. WEAL-TH is also defined as: 1. Spiritual well-being; 2. Prosperity, consisting in abundance of possessions: 'worldly goods' - valuable possessions, in great abundance: riches. Affluence. 3. Economics: A collective term for those things the abundant possession of which (by person or a community) constitutes riches, or 'wealth' in the popular sense. 4. Plenty, abundance, profusion (of what is specified). Also, the condition of abounding in something valuable.

<sup>4</sup> Webster's New World Dictionary.

<sup>5</sup> Oxford on-line dictionary.

<sup>6</sup> Oxford English Dictionary (1989 edition)

wealth is thus our real conditions of well-being. We would break down our wealth categories according to human, social, natural, manufactured and financial wealth.

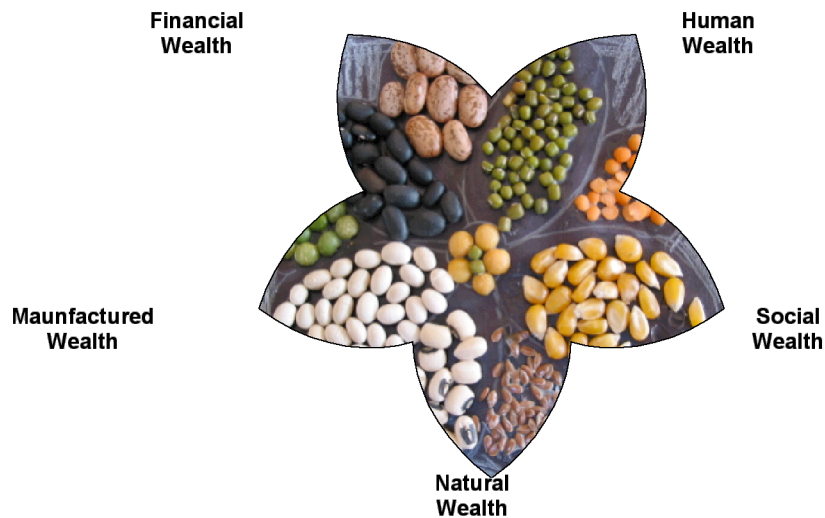
Our **Genuine Wealth Assessment** begins with asking a simple question: “what makes life worthwhile?; What do we value most” This can be followed by two other questions: 1) What is going well for us?; and 2) What areas of our lives and the community need improvement?

Robert Kennedy noted that measures of economic progress, like the GDP (Gross Domestic Product) fail to measure the things we value most in our lives. If that is so, then the Genuine Wealth system of well-being measurement corrects these shortcomings by accounting for the conditions of well-being that are also true to our values. Robert Kennedy challenged us to measure more than just money metrics of progress; rather to measure the many things that intuitively contribute to our quality of life. Only then are we honestly measuring our genuine progress towards improved quality of life for ourselves, our children and their children.

Genuine wealth could include things like trust, sharing and reciprocity based on the strength of our relationships with others as well as our stewardship relationship with nature. Genuine wealth could include our time, skills, capabilities and aspirations. It might include the beauty of a landscape and the existence of a grizzly bear. Genuine wealth would also include the productivity of our good works in improving the conditions of well-being for everyone. Genuine wealth might include the joy of our play, the hope and happiness of our children, the strength of our friendships, the social cohesion in our community amongst both households and businesses. If what we measure is what we manage and pay attention to, then surely measuring the things we intuitively consider add to our quality of life is critical. Do we care more about the changes in the stock market indices and percentage changes in the GDP or do we care more about our quality of life indicators showing improvement for ourselves and our neighbours?

In measuring our genuine wealth we might identify quantitative (objective) and qualitative (subjective) attributes of our real wealth. In other words, we would inventory more than just the money value of our real wealth, going beyond the conventional economic measures of progress like the GDP (gross domestic product). We would begin to measure, report and manage life's most important resources for improved or sustained well-being.

**Genuine wealth** can be broken down into five categories– **human, social, natural, manufactured and financial wealth (or capital)**. We use the words wealth and capital interchangeably. Some might prefer the word “capital” to wealth, though wealth is a more robust term whose true meaning should not be diminished. Dr. John McMurtry of the University of Guelph uses the word “life capital” to define the human, social and natural capital that contribute to making life worthwhile.

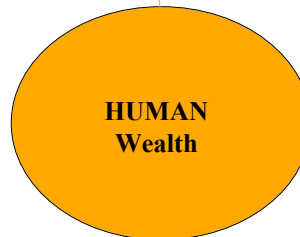


The following is a detailed description of each of the five wealth attributes.

**Human wealth** is people or human resources. Human wealth can be defined as “the knowledge, skills, competencies, capabilities, and other attributes of each individual that facilitates the creation of personal, social, and economic well-being.”<sup>7</sup> Human wealth also includes health (e.g. mental, physical, emotional and spiritual) and time (i.e. life energy).

### Human Wealth categories

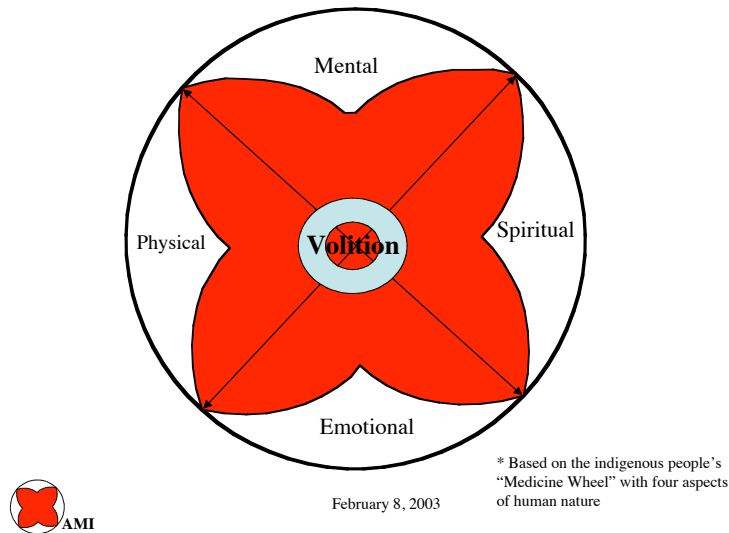
- People (employees, contractors, suppliers)
- Intellectual capital
  - Educational attainment
  - Knowledge
  - Skills
- Creativity and entrepreneurship
- Capabilities
- Motivation
- Productivity
- Happiness (self-rated)
- Time use balance (work, family, leisure, community)
- Health (disease, diet, overall health)
- Physical well-being (fitness)
- Mental well-being
- Addictions (drugs, alcohol, gambling)
- Workplace safety
- Training and professional development
- Personal self-development



<sup>7</sup> *The Well-being of Nations: The Role of Human and Social Capital*. OECD. 2001.

According to Indigenous cultures of North America there are four aspects of a human being: emotional, physical, spiritual and mental. A complete human being has a healthy balance of these core resources which are exercised through “volition” (will power) throughout one’s life journey.

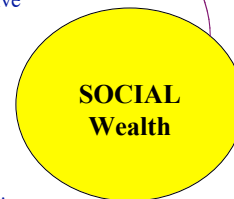
#### Four Aspects of Personal Wealth \*



**Social wealth** refers to the strength of our relationships with each other and the strength of our interdependence (John McKnight) which would include such things as trust, networks, shared responsibility, reciprocity, neighbourliness, and a sense of community. These can also be called our *social resources*.

#### Social Wealth categories

- Customer relations (value, loyalty and commitment by customers)
- Supplier relations (value and commitment by suppliers)
- Reputation
- Work place relationships
  - Work place climate (e.g. stress, comradery, sense of collective commitment)
  - Social cohesion (teams and team spirit)
  - Work place climate (happiness with work)
- Equity (incomes, age-sex distribution, women in management)
- Employee family quality of life
- Networks
- Friendships amongst workplace colleagues
- Membership in professional associations, clubs or other organizations
- Social events with colleagues
- Family outings with work place colleagues
- Financial investment/giving/donations to the community

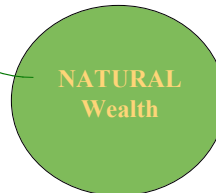




**Natural wealth** or natural resources are nature's goods and services, whether trees, land, water, air or wildlife. Natural capital also includes the ecological services provided by watersheds and wetlands in maintaining clean air and clean water. Natural capital is vital for our economic well-being.

### Natural Wealth categories

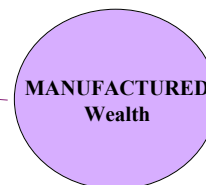
- Environmental goods and services
- Natural capital (stocks and flows)
  - land
  - minerals
  - oil, gas, coal
  - forests (trees)
  - fish and wildlife
  - water
  - air
  - carbon sinks
- Ecosystem integrity
- Energy (by type, source, and end-use)



**Manufactured wealth** or manufactured resources are things like equipment, factories, tools and anything physical infrastructure that has been built by investing both human capital (time, labour, ideas) and natural capital (resources). Manufactured wealth contributes to our overall economic

### Manufactured Wealth categories

- Infrastructure
  - roads
  - pipelines
  - transmission lines
  - other structures
- Buildings
- Machinery and equipment
- Technology
- Patents
- Brands
- Intellectual property (ideas, innovations)
- Management processes
- Production processes
- Databases



well-being by providing the means to a more comfortable and enhanced quality of life. Manufactured wealth would include both private and public infrastructure – homes, household

appliances, cars, factories, hospitals, schools, and roads. It would also include new technology, designs, patents, processes and ideas.

**Financial wealth** or money resources include conventional money-valued assets – cash, savings, investments, real estate and other money-valuable things. Financial capital also includes debt and financial liabilities.

## Financial Wealth categories

### Financial Assets

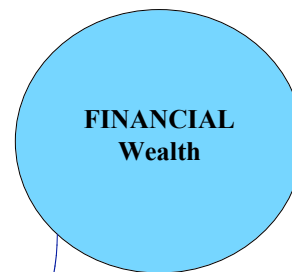
- Current financial assets
  - Cash
  - Accounts receivable
  - Inventories
- Capital assets

### Financial Liabilities

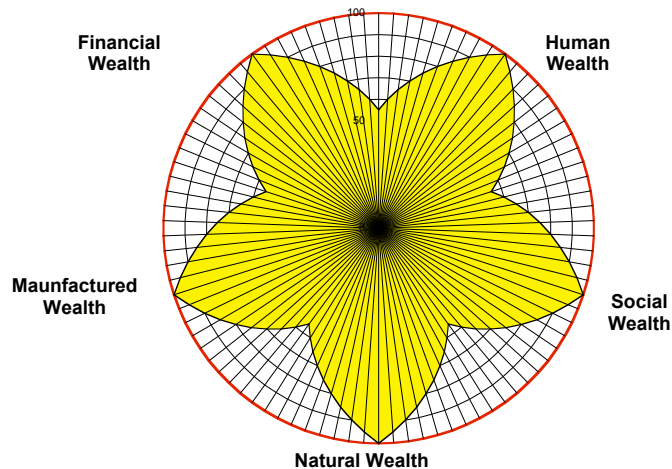
- Debt (short and long-term borrowings)
- Accounts payable

### Shareholders' Equity

- Preferred securities
- Share capital
- Retained earnings



These five categories of Genuine Wealth can then be knit together in an integrated **Genuine Wealth Balance Sheet** as portrayed in the wealth flower image below. This new Wealth Balance Sheet reveals both the strengths and weaknesses of an organization's or community's assets but also the interrelationships between the real assets of the community.



A more comprehensive picture of genuine wealth emerges – a new genuine wealth balance sheet and a sustainable “full-cost” income statement – that goes beyond our conventional financial and economic accounting systems. This genuine wealth account allows us to both name and measure the things that we intuitively know makes life worth living. Our new genuine wealth balance sheet might look more like the following example.

## The Genuine Wealth Balance Sheet

### Assets

- **Human Capital**
  - Time
  - Health, safety and wellness
  - Knowledge
  - Hope
- **Social and Relational Capital**
  - Social/relational cohesion
  - Trust
  - Democracy
- **Natural Capital**
  - Renewable resources
  - Non-renewable resources
  - Environmental quality
  - Ecosystem services
- **Manufactured Capital (Infrastructure)**
- **Financial Capital**

### Liabilities

- **Human Capital**
  - Time stress
  - Addictions (drugs, gambling, alcohol)
  - Poor lifestyles (diet, obesity)
  - Disease
  - Depression/Suicide
- **Social and Relational Capital**
  - Crime
  - Relationship breakdown
  - Democracy
- **Natural Capital**
  - Renewable resources
  - Non-renewable resources
  - Environmental quality
  - Ecosystem services
- **Manufactured Capital**
- **Financial Capital**

### Equity



- Distribution of resources, wealth and income

From our new genuine wealth balance sheet, “genuine wealth” or “genuine progress” indicators can be developed as proxies for not only the current conditions of our well-being but indicators of the progress we are making in improving quality of life and ensuring sustainability.

Accounting for our **genuine wealth** means getting in touch and “measuring the things that make life worthwhile” as Kennedy informs us. This would require a heart-felt assessment of our values, virtues, and life principles combined with an inventory of the physical and qualitative attributes of our life. It would require a critical examination of our basic life “needs” for the good life

distinct from what we “want.” We should also distinguish between our “assets” (our strengths) and our “deficits” or “liabilities” (our weaknesses or perhaps our opportunities to develop genuine wealth). It would also require an assessment of our “life capabilities” (the strengths, skills, knowledge, and wisdom we have as individuals, as households and as organization). These are the things that we bring to a community which gives it strength and resilience. Such an accounting must measure both physical or tangible realities as well as the qualitative or intangible assets. Moreover, we want to distinguish between our physical reality and our perceptions. The tangible assets are all the things we can touch and feel; the intangible assets would include things like the strength of our relationships and interdependence.

### **Genuine Wealth of Communities: Assets, Liabilities, and Equity**

Prof. John McKnight, author of *The Careless Society*, makes the case for mapping the community’s assets (resources) and liabilities (needs). McKnight argues that: *“Each community boasts a unique combination of assets upon which to build its future. A thorough map of those assets would begin with an inventory of the gifts, skills and capacities of the community's residents. Household by household, building by building, block by block, the capacity mapmakers will discover a vast and often surprising array of individual talents and productive skills, few of which are being mobilized for community-building purposes..In a community whose assets are being fully recognized and mobilized, these people too will be part of the action, not as clients or recipients of aid, but as full contributors to the community-building process.”*<sup>8</sup>

McKnight has drawn the following community asset and needs maps which are akin to our proposed Genuine Wealth Balance Sheet showing both assets (strengths and resources) and liabilities (social capital deficits or our “to-do list”).

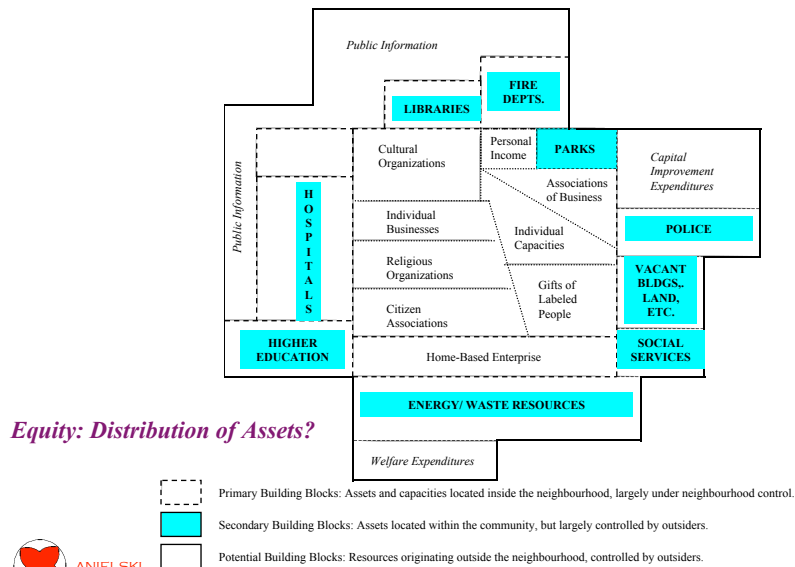
The Genuine Wealth Accounting system would allow each community to account for and thus better manage their community core assets and focus their energies and resources on dealing with social deficits by making these part of the “Monday-morning-to-do-list” through projects and activities that will help to eliminate these deficits over time.

---

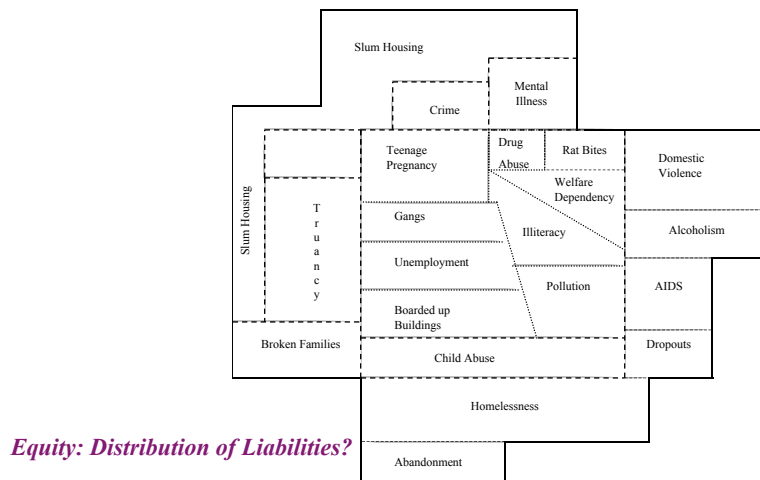
<sup>8</sup> <http://www.northwestern.edu/ipr/publications/community/introd-building.html>



## Community Asset Map



## Community Liability Map



## **Acknowledgements**

I would like to personally thank a number of individuals for their invaluable contribution to this emerging “genuine wealth” accounting model. Without their support, input and inspiration, this seed of an idea for redefining progress and well-being would not be possible. I would like to thank: Brenda Herchmer, Ian Hill, Dr. John McMurtry, Stuart Smith, Bob Williams, Dr. Robert McMurtry, Kate Kaemerle, Michael Pierce, Derek Rasmussen, Bob Willard, Chris Dobranski, Gifford Pinchot III, David Korten, Pat Carmack, Tunji Adepeju, Krista Bondy, Susan Todd, Martin Holysh, David Burdick, Bernard Lietaer, David McNicoll, Harold Wynne, Sharon Mathias, Gary Slywchuk, Gary McCaskil, Jan Roberts, Frank Sanchez, David Bell, and Raffi Cavoukian.



**Genuine:** to be authentic

(Gen"u\*ine) *a.* [L. *genuinus*, fr. *genere, gignere*, to beget, in pass., to be born: cf. F. *g  nue*.] Belonging to, or proceeding from, the original stock; native; hence, not counterfeit, spurious, false, or adulterated; authentic; real; natural; true; pure; as, a *genuine* text; a *genuine* production; *genuine* materials.

**Wealth:** the conditions of well-being

(Wealth) *n.* [OE. *welthe*, from *wele*; cf. D. *weelde* luxury. See [Weal](#) prosperity.]

weal (well-being) + th (the condition of)

The condition of being happy and prosperous; well-being. Obs. (exc. arch.).<sup>9</sup>

1. Weal; welfare; prosperity; good. [Obs.] "Let no man seek his own, but every man another's wealth." 1 Cor. x. 24.

2. Large possessions; a comparative abundance of things which are objects of human desire; esp., abundance of worldly estate; affluence; opulence; riches.

**Weal:** well-being

(Weal), *n.* [OE. *wele*, AS. *wela, weola*, wealth, from *wel* well. See [Well](#), *adv.*, and cf. [Wealth](#).]

*well-being*

1. A sound, healthy, or prosperous state of a person or thing; prosperity; happiness; welfare.

**Assets**

(As"ssets) *n. pl.* [OF. *asez* enough, F. *assez*, fr. L. *ad* + *satis*, akin to Gr. enough, Goth. *saps* full.]

1. (*Law*) (*a*) Property of a deceased person, subject by law to the payment of his debts and legacies; - - called *assets* because *sufficient* to render the executor or administrator liable to the creditors and legatees, so far as such goods or estate may extend. *Story. Blackstone.* (*b*) Effects of an insolvent debtor or bankrupt, applicable to the payment of debts.

2. The entire property of all sorts, belonging to a person, a corporation, or an estate; as, the *assets* of a merchant or a trading association; — opposed to *liabilities*.

**Chrematistics:** the art or science of money-making

(Chre`ma\*tis"tics) *n.* [Gr. *9sc.* ] the art of traffic, fr. goods, money, fr. to use.] The science of wealth; the science, or a branch of the science, of political economy.

*n.* chrematistics, the science of the wealth of nations; political economy, or a branch thereof. [Gr. (Aristotle).]<sup>10</sup>

---

<sup>9</sup> Oxford English Dictionary. Second Edition, 1989. Oxford University Press.



### chrematistic

adj. Of, pertaining to, or engaged in the acquisition of wealth. (Oxford English Dictionary)

[ad. Gr. - of traffic or money-making, also, oracular (see next), f. to deal, consult, give a response as an oracle, (in middle voice) to make money, f. , - thing needful, money.]

**chrema:** Greek for money or wealth; something useful or needed, i.e. wealth, price:--money, riches.

### Economic

(E`co`nom"ic E`co`nom"ic\*al) *a.* [F. *économique*, L. *oeconomicus* orderly, methodical, Gr. *economical*.]

1. Pertaining to the household; domestic.
2. Relating to domestic economy, or to the management of household affairs.
3. Managing with frugality; guarding against waste or unnecessary expense; careful and frugal in management and in expenditure; — said of character or habits.
4. Managed with frugality; not marked with waste or extravagance; frugal; — said of acts; saving; as, an *economical* use of money or of time.
5. Relating to the means of living, or the resources and wealth of a country; relating to political economy; as, *economic* purposes; *economical* truths.
6. Regulative; relating to the adaptation of means to an end. *Grew*.

### Resource

(Re\*source") *n.* [F. *ressource*, fr. OF. *ressourdre*, *resourdre*, to spring forth or up again; pref. *re-* *re-* + *sourdre* to spring forth.]

1. That to which one resorts or on which one depends for supply or support; means of overcoming a difficulty; resort; expedient.
2. *pl.* Pecuniary means; funds; money, or any property that can be converted into supplies; available means or capabilities of any kind.

**Value:** to be strong

(Val"ue) *n.* [OF. *value*, fr. *valoir*, p. p. *valu*, to be worth, fr. L. *valere* to be strong, to be worth.]

---

<sup>10</sup> Oxford English Dictionary (on-line)



## Interest

(In"ter\*est), *n.* [OF. *interest*, F. *intérêt*, fr. L. *interest* it interests, is of interest, fr. *interesse* to be between, to be difference, to be importance; *inter* between + *esse* to be; cf. LL. *interesse* usury.

interest, not only on the original principal, but also on unpaid interest from the time it fell due. —

**Simple interest**, interest on the principal sum without interest on overdue interest.

