

Introducing Multicapitalism

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What is Multicapitalism?

- A term introduced and coined by Thomas and McElroy in 2014
- A new economic doctrine in which performance is assessed in terms of what a society's, economy's or organization's impacts are on the sufficiency of *all* vital capitals, not just one of them (economic)
 - Capitalism is not the problem, *monocapitalism* is!
- A doctrine in which single bottom line accounting is renounced in favor of multi-bottom line – and *context-based* – accounting
 - The goal is to maintain *all* vital capitals at sufficient levels ...
 - Relative to sustainability norms, standards and thresholds

What is Capital?



To qualify as capital, a thing must ...

1. Consist of *resources* important for human well-being
2. Have *stocks* (S) that are distinguishable from *flows* (F):
 - Stocks continually produce goods or services (flows)
 - Flows used as resources for human well-being

Capital: A stock of anything that *produces a continual supply* of valuable goods or services

Stocks: Accumulations of things that produce continual supplies or *flows* of valuable goods or services

Flows: Continual supplies or *discharges* of valuable goods or services important for human well-being

Is “Capital” the Right Word?



“One does not wish to arbitrarily modify such a foundational concept as ‘capital’. It is counterproductive, however, to assume that the concept of capital has a fixed set of innate meanings. As knowledge grows, the denotation and connotation of a core scientific concept may change in a direction that is not purely whimsical. Conceptual development may well be productive in helping scholars understand more phenomena using a core set of conceptual tools.”

E. Ostrom and T.K. Ahn, *Foundations of Social Capital* (2003)

The capital theory basis of sustainability is arguably the least controversial aspect of the field, if only because of the extent to which it persists in the literature (and practice) over the past 100+ years!

Two Illustrations of Capital Stocks and Flows

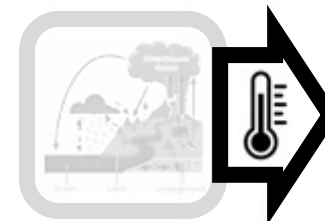
STOCKS

Climate System
(a form of global natural capital)



The Climate System

FLOWS

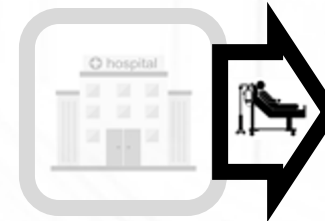


Temperature Regulation

Healthcare System
(a combination of human, social, constructed and economic capitals)



Healthcare Systems



Healthcare Services

Accounting Implications of Multicapitalism

1. Performance accounting must be multicapitalistic in scope
2. Metrics and indicators used must be context-based
3. Monetization, if used, must also be context-based
4. Value creation accounting (e.g., impact valuation, risk reporting, shared value, net positive, ESG, etc.) must not be confused or conflated with sustainability accounting!

Comments most welcome! mmcelroy@vermontel.net