



The Comprehensive Rural Wealth Framework

“We need to measure what we value, not value what we measure.”

Individuals and households are well aware their income is but one component of their current and future well-being. Indeed, income is not a decent measure of even financial well-being, as it excludes the value of a wide range of assets that individuals or household may own, such as housing, land, and savings/retirement accounts. Individuals and households understand the importance of all these financial assets, and also place great value on other nonfinancial factors, such as their health, networks of family and friends, cultural heritage, and the natural and built environments in which they live.

In an analogous fashion, the current and future well-being of a community, region, or nation cannot be accurately assessed by only economic-centric measures, like Gross Domestic Product, per capita income, and median household income. There are at least two major problems with these measures. First, they do not account for critical non-economic factors that contribute mightily to societal well-being. Many of these non-economic factors—the beauty of a mountain range or the importance of a friendship—operate outside “the market” and therefore do not carry an easily identified price tag. Second, these economic-centric measures can be misleading. For example, if a geographic region “prosper” by clear-cutting its forests, this short-term measure of “prosperity” does not reflect the reality that the region’s long-term future is simultaneously imperiled.

Given these realities, community, regional, state and national leaders and policy makers urgently need a more comprehensive framework with which to assess strategic challenges, opportunities, and future directions.

The Comprehensive Rural Wealth Framework, pioneered by RUPRI and built upon the earlier work of other scholars, has emerged as arguably the most powerful and dynamic approach with which to assess these interrelated factors. This approach is premised upon two theses:

Central Premise #1: Wealth—defined in a comprehensive fashion—must be the focus of well-being, whether considering individuals, households, communities, neighborhoods, regions, countries, or planet Earth.

Central Premise #2: Comprehensive wealth is the stock, or value, of ALL assets, net of liabilities; and our well-being depends on the benefits that flow from these various assets. It is this distinction between “stocks” (what we have at a specific point in time) and “flows” (the benefits we receive over a period of time) that is essential in understanding the power and

importance of the wealth framework. Perhaps this critical distinction can best be understood by thinking about an individual household: net worth is the household's *stock* of financial assets (minus liabilities); and its annual income is the *flow* of dollars generated from employment, dividends, rent, and perhaps other sources. In short, without stocks there can be no flows!

Defining Wealth Comprehensively

This wealth framework incorporates eight distinct types of assets or “capitals.” When taken together, these capitals (a) represent a robust and comprehensive measure of both tangible and intangible wealth, and (b) create the basis for assessing current well-being, as well as for improving the future. These capitals include: physical capital, financial capital, human capital, intellectual capital, political capital, natural capital, social capital, and cultural capital.

- **Physical capital** is the stock of “built capital,” including equipment, buildings, roads, bridges, telecommunications networks, and other types of physical infrastructure.
- **Financial capital** is the stock of money and other liquid financial assets such as stocks, bonds, and letters of credit—net of financial liabilities—that can be readily converted to money.
- **Human capital** is the stock of productive capabilities of a population embodied in the education, skills, talents, and health status of that population.
- **Intellectual capital** is the stock of human knowledge, innovation, and ideas that is embedded *throughout a society*. This makes it different from the human capital embedded in *individuals*. Examples include various types of intellectual property such as patents and copyrights as well as “common knowledge.”
- **Political capital** is the stock of influence, power, and goodwill held by individuals, groups, and organizations that can be held, spent, or shared to achieve specific goals.
- **Natural capital** is the stock of resources provided by Mother Nature, including clean water, clean air, natural landscapes, the climate, forests, wildlife, land, flora, and fauna.
- **Social capital** is the stock of trust, relationships, and networks found in our civil society. Social capital can be held by individuals or by groups and organizations.
- **Cultural capital** is the stock of practices, values, and sense of identity embedded in a society. Cultural capital is held by individuals and groups. Tangible examples include works of art, architecture, and places of cultural significance such as monuments. Intangible examples include beliefs, traditions, and practices that distinguish and identify groups of people and their values and identity.

Guiding Principles and Considerations

1. The flow of benefits from wealth can either be consumed or invested. Only the latter increases future stocks of wealth.
2. The Rural Wealth Framework (RWF) recognizes both economic (e.g., financial capital) and non-economic assets (e.g., political capital).
3. The RWF recognizes assets for which traditional markets exist (e.g., physical capital) and assets for which that is not the case (e.g., social capital).

4. The RWF recognizes that the eight capitals can be thought of individually, but they are often inter-related, sometimes complementing and sometimes substituting for one another. Furthermore, the greatest impacts typically occur when the potential synergy across these capitals is recognized and catalyzed.
5. The RWF recognizes that some assets are mobile (e.g., human capital) and others are not (e.g., most types of natural capital).
6. The RWF recognizes that certain place-based or non-mobile assets may be owned by residents, or by those outside the locality, and that property rights determine the distribution of the benefits that flow from these assets. Absentee ownership of natural capital, for example, may impact the wealth of a community very differently than would local ownership.
7. The RWF includes both public and private assets, and recognizes that some assets may be primarily owned and controlled by individuals (e.g., private land), while others may be primarily publicly controlled (e.g., highways or airports).
8. The RWF recognizes that certain non-mobile assets (e.g. recreational areas or national parks) have value to both those who live nearby and those who live far away.
9. The RWF recognizes and makes explicit that collective action and governance play a major role in wealth creation and retention. For example, the public sector is a major generator of human capital through its investments in public education. Likewise, the public sector generates intellectual capital by creating and enforcing patent and copyright laws.
10. The RWF recognizes that the distribution of assets is very important. For example, the distribution of assets across households can have an enormous impact on inter-generational social and economic mobility. Or, as another example, political capital that is not widely shared, but is concentrated in the hands of a few, may not benefit the entire community, state, or region.
11. The RWF recognizes that individuals' wealth depends not only on their own assets, and how they use them, but also on the assets of others. For example, when individuals invest in cultural diversity, the wealth of other residents is enhanced.

Implications for Rural (and Urban) America

Although the basic wealth framework is equally applicable in both urban and rural areas, it is important to note several important considerations. First, these eight capitals are not evenly distributed across geographic space. For example, natural capital is much more prevalent in rural areas. Second, population density is a critical difference when thinking about rural and urban areas. This has various implications, including how assets are distributed spatially, as well as how the flow of benefits from those assets are distributed and used. Finally, it is important to note that the assets found in rural areas often generate a flow of benefits that are essential in sustaining urban areas. Examples include food, water, and energy.

The narrative surrounding rural America is often negative, emphasizing the outmigration of rural youth, the lower educational attainment of the rural population, and the high rate of poverty in rural America. This narrative, while not necessarily inaccurate in many places, is also

problematic. First, this narrative paints rural America with a very broad brush. Rural America is amazingly diverse and while many rural areas and regions struggle, others are thriving.

Second, this deficit perspective, focusing on liabilities, makes it difficult to focus on amazing assets and future potential within rural America. The Comprehensive Rural Wealth Framework does just the opposite. By focusing on the totality of assets within rural America, this framing enables one to envision a more inclusive, diverse, and promising future, built upon existing assets, in place.