

# Accounting for missing capital assets

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## Measuring inclusive wealth

- Measuring inclusive wealth (stocks of different types of capitals) is crucial to getting a better idea about the state of an economy.
- The GDP indicator gives only a partial account. It does not offer insights into an economy's *potential* for progress or *sustainability*, nor does it necessarily reflect changes in **living standards** across the whole population.

**Inclusive wealth accounts are needed to get a better picture.**

## Aims and methods

The project assesses and develops methods for measuring the **social welfare value** of missing capital assets that:

- (1) do not have a market price, or,
- (2) whose market price does not reflect their broader social worth.

Applying microeconomic theory to develop a consistent framework for estimating shadow prices, the work lays the groundwork for the development of an alternative broader suite of inclusive wealth metrics.

## Scope of study

### Missing capitals

Natural capital

Cultural & heritage capital

Human capital

Intangible capital

### How do different capital goods and services contribute to social welfare?

**Shadow prices** measure the overall costs and benefits associated with a given capital asset or service to social welfare. For example, they take into account positive and negative *externalities*.

In accounting terms, this implies the need for a shift from measuring the value of capital assets, goods and services at *market prices* towards estimating their *social welfare value*.

By studying the marginal social costs and benefits of capital assets - not only the private costs and benefits - we can better estimate the value of a given missing capital asset's contribution to the economic welfare of society at large.

## What use for shadow prices?

Accounting 'Beyond GDP' serves to expand the informational basis on which policy decisions are made.

- (1) Shadow prices can be **positive or negative**, depending on the balance of costs and benefits to social welfare. Thus, we can get a clearer picture of value contributions of different capital assets to overall social welfare.
- (2) A change in the stocks of any of these 'missing capitals' can have **unaccounted for effects on overall social welfare**. Measures of the changes bring further information on these capital assets to the equation.

### Around the world

International organisations and National Statistics Institutes around the world are developing frameworks for inclusive wealth accounting. SNA 2025 makes progress in accounting for missing capital assets, valued at *market prices*.

Developing **shadow prices as metrics** contributes to the broad Inclusive Wealth accounting agenda, but expands the bounds to consider metrics with different but complementary information for policy appraisal.

