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"Capital Substitutability and Weak Sustainability Revisited: The Conditions for Capital Substitution in the Presence of Risk"

Figge, Frank

The capital approach is frequently used to model sustainability. A development is deemed to be sustainable when capital is not reduced. There are different definitions of sustainability, based on whether or not they allow that different forms of capital may be substituted for each other. A development that allows for the substitution of different forms of capital is called weakly sustainable. This article shows that in a risky world and a risk-averse society even under the assumptions of weak sustainability the circumstances under which different forms of capital may be substituted are limited. This is due to the risk-reducing effect of diversification. Using Modern Portfolio Theory this article shows under which conditions substitution of different forms of capital increases risk for future generations.

— Text from The White Horse Press website

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