Understanding economics: What is wealth?

Published: August 31, 2026, 6:04 am

Money is not wealth. That single distinction is one of the most important things economics has to teach, and we have been getting it wrong.

Wealth is the stock of homes, land, businesses, infrastructure, knowledge, skills, health, natural resources and public institutions a society holds at a point in time.

Income is the flow; what we can consume over time.

But financial wealth, such as money, government bonds, and bank deposits, is something else entirely. It is a claim *on* real wealth, not real wealth itself.

Government bonds are wealth to their owner but a liability to the government. Bank deposits are wealth to the saver but a liability to the bank. Creating more of these claims does not create more houses, more hospitals, or more skills. It simply redistributes what already exists.

Take a house as an example. You can increase a home's value by taking out a bigger mortgage, and on paper your financial wealth has grown. But the house is the same house. No new bedrooms, no new kitchen, and no new real wealth has been created by increasing its price. What has changed is the claim on it, and the power that claim represents.

This matters. Partly that is because private wealth cannot exist without public wealth. The roads, schools, hospitals and legal systems that make economic activity possible are public wealth, but poverty prevents some people from even having access to them.

At the same time, financial claims are now distributed so unequally that they distort the economy, push up the price of land and housing, and create real poverty without creating any new real wealth.

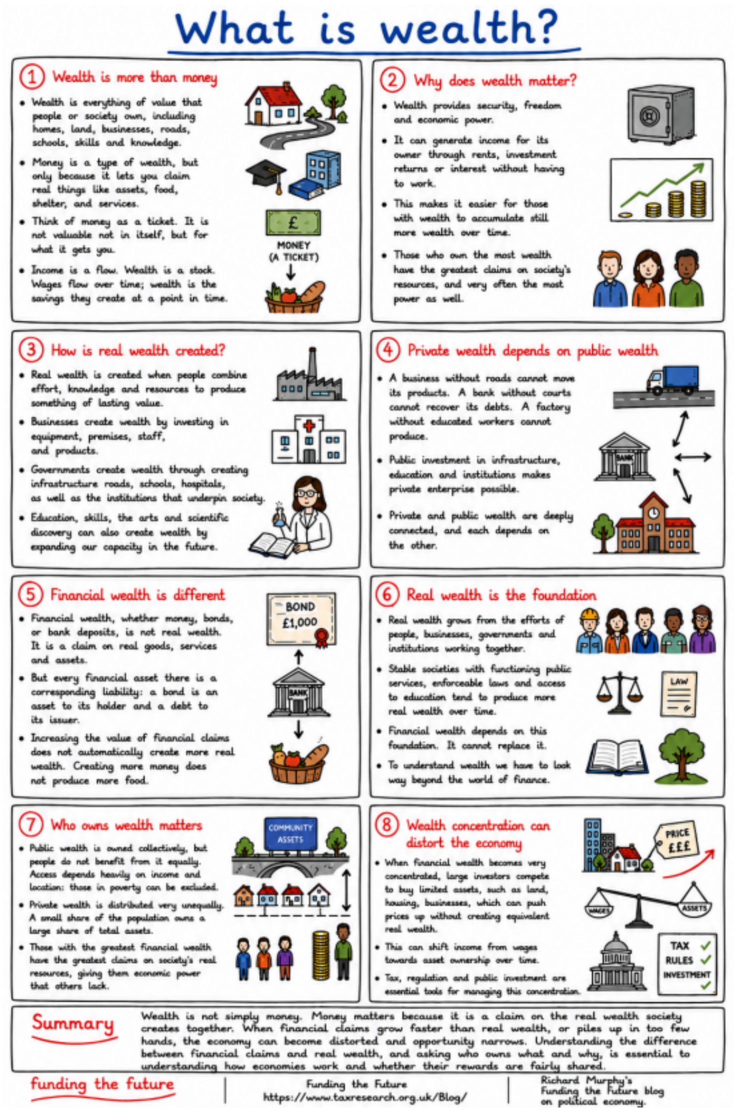
Tax and regulation are not theft from wealth creators. They are how a society restores balance, reduces excessive concentrations of financial claims, and makes sure the economy serves shared prosperity rather than a handful of balance sheets.

https://www.youtube.com/watch?v=c8S_lZ7qyk0?si=O9Q1amzX_NH0tsfj

This is the audio version:

https://www.podbean.com/player-v2/?i=7frex-1b4932c-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

There is no Debate Ammunition for this video, but there is this infographic:



This is the transcript:

Hello, I’m Richard Murphy, and this is Understanding Economics, which is the series of videos that I’m creating that explains economics in the way that I see it, and which I hope will explain to you how the economy in which you live really works.

Today I want to talk about wealth.

Wealth is the stock of assets that people and our society possess.

Money, though, is financial wealth.

That’s the first point I have to make here. Most people confuse wealth with money, but money is a claim on real wealth, and that distinction is really important because real wealth is what we are talking about when we come to economics. Money is just a way of representing our ownership of it.

And let’s be clear: real wealth includes homes, land , and businesses, infrastructure, knowledge, skills, health, natural resources, and our public institutions, including the government, our democracy, our legal systems, and so much more.

The point is, wealth is a stock of assets; what we have at a point in time, and that differentiates it from income, which is a measure of what we can consume over a period of time. In accounting terms, we measure income through what we used to call the profit and loss account and now call the income statement, and wealth is the balance sheet: what we’ve actually got.

So why does wealth matter?

That’s because wealth provides a form of security to those who own it. It gives people choices.

It can also generate income without work when rents are charged. So for some people, it is a way of escaping from having to do labour, and wealth provides economic power to those who own it because it gives them a claim on those resources. As a result, people who own wealth can often accumulate more simply because they own assets. Wealth is rewarding to itself in other words, and owning wealth does then affect both opportunity and power inside our society, and those are issues that we want to look at inside any political economy.

But let’s be clear: what is this wealth that we are talking about?

Real wealth is created when people use resources to produce things of lasting value.

Businesses can create wealth by investing.

Governments create wealth by providing infrastructure and public services.

Knowledge, education and technology increase society's ability to produce what people need, and so they are wealth as well.

And so to our healthy and skilled people, because they underpin our ability to produce all of wealth.

Real wealth then is the accumulation of all these things. It provides the basis on which society can sustain itself and meet needs.

Vitally, private wealth cannot exist without public wealth. Roads, schools, hospitals and government itself are the infrastructure that makes economic activity possible, and so wealth creation a reality.

Courts and the legal system establish and protect property rights, and they are essential to wealth protection.

The financial system allows money, payments, and credit to function, and money is a claim on wealth.

And education provides the knowledge and skills on which businesses depend if they are to create private wealth.

These shared assets and institutions make private wealth possible, but all of them are created by the government.

So, let's differentiate real wealth and financial wealth at this point because that is also important. If we've talked about what real wealth is, we have to understand financial wealth, and it is different.

Financial wealth represents claims on goods, services, resources, and other assets. Now, money is one of those ways in which that claim can be represented. You can go and buy some of this wealth if you have money.

But a government bond is also wealth to its owner, but a liability of the government. And a bank deposit account is wealth to the saver, but a liability of the bank with which it is saved.

Financial assets and financial liabilities are therefore intimately linked. What that means is something quite significant because creating more financial claims does not necessarily create more wealth, but it can redistribute who has wealth, and so power, and that matters.

And just to explore this point, if we increase the value of a house by offering a bigger mortgage on it, which is what makes it possible for someone to acquire it, we haven't changed the number of houses, or the number of bedrooms, or the number of kitchens that exist inside our economy. All we have done is increase the level of financial wealth, but that has not created new prosperity. That point is fundamental in understanding that there is this distinction between financial wealth and real wealth, which is much broader than money.

Real wealth has its roots in people, society, government, our institutions, our democracy, even in a free media, if we had such a thing, and our planet. These are the assets that allow society to produce goods, provide services, advance knowledge and wisdom, and essentially meet people's needs.

Financial wealth ultimately depends upon this foundation of real wealth.

Of the two, which one is the more important? Real wealth is, of course.

And who owns wealth? Well, we all own public wealth of the sort that I've described that is created by the government, although that does not mean that everyone has equal access to it. And this point is key. Poverty can prevent people from benefiting fully from even public wealth. We must always remember that when discussing it. If you can't get to the swimming pool, the fact that you own a stake in it because you are a member of society makes no difference. You are still excluded from the benefits of wealth.

And private wealth is also distributed very unequally. Those who own large amounts of financial wealth have a greater claim on society's real wealth than do anybody else. Ownership of wealth therefore creates economic power. That power can shape markets, politics and public policy. The ownership of wealth is not then economically neutral. Money and financial wealth do then matter because they represent claims on real wealth: the things that are really important in our society. And when those claims become highly concentrated, some people gain far greater economic power than others.

They can use that power to acquire land, housing, businesses, and other assets, pushing up their prices. This is a really important point, because that means financial wealth can therefore increase without creating equivalent new real wealth. Remember the example of the house I've just explained.

Tax and regulation are then vital to reduce excessive concentrations of financial claims that distort our economy and create real poverty. And that use of tax and regulation is vital to restore balance in our societies.

Understanding wealth explains why inequality, public investment and taxation matter. Wealth is not simply about money. Wealth is not money alone, but money matters because it is a claim on the real wealth that our society creates.

When claims on wealth become concentrated faster than wealth is created, they can distort the economy and concentrate power. Creating and protecting real wealth is then essential to shared prosperity, and that is why this issue is so important.

This video is one in our series on Understanding Economics. If you want to see the rest, they are all listed in a playlist just below this video. Click down below, and you will find that playlist. I suggest you watch them in order because they are, broadly speaking, produced in order to ensure that you get a narrative through the explanations we are supplying. But take part, have a listen, have a view, and understand economics as it really is.

Poll

[poll id="509"]