Funding the Future

Understanding economics: What is work?

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Who really creates wealth in our economy? Is it the people who own businesses, property and financial assets, or the people who actually do the work?

In this episode of my series on Understanding Economics, I argue that work is the foundation of economic value. Without human effort, care and creativity, money would still exist, but there would be very little worthwhile to buy with it.

That raises some important questions about how modern economics values work. Much socially essential work, including caring for children and elderly relatives, volunteering and supporting communities, is unpaid and largely ignored by measures such as GDP. At the same time, many people in paid employment are prevented from making full use of their skills, judgement and creativity.

Since the 1980s, power has also shifted from workers towards employers and shareholders. Trade unions have been weakened, insecure employment has grown, and work has increasingly been treated simply as a cost of production rather than as the activity that makes production possible.

Artificial intelligence makes these questions more urgent. AI may eliminate some existing jobs, but there is still an enormous amount of socially useful work that needs doing.

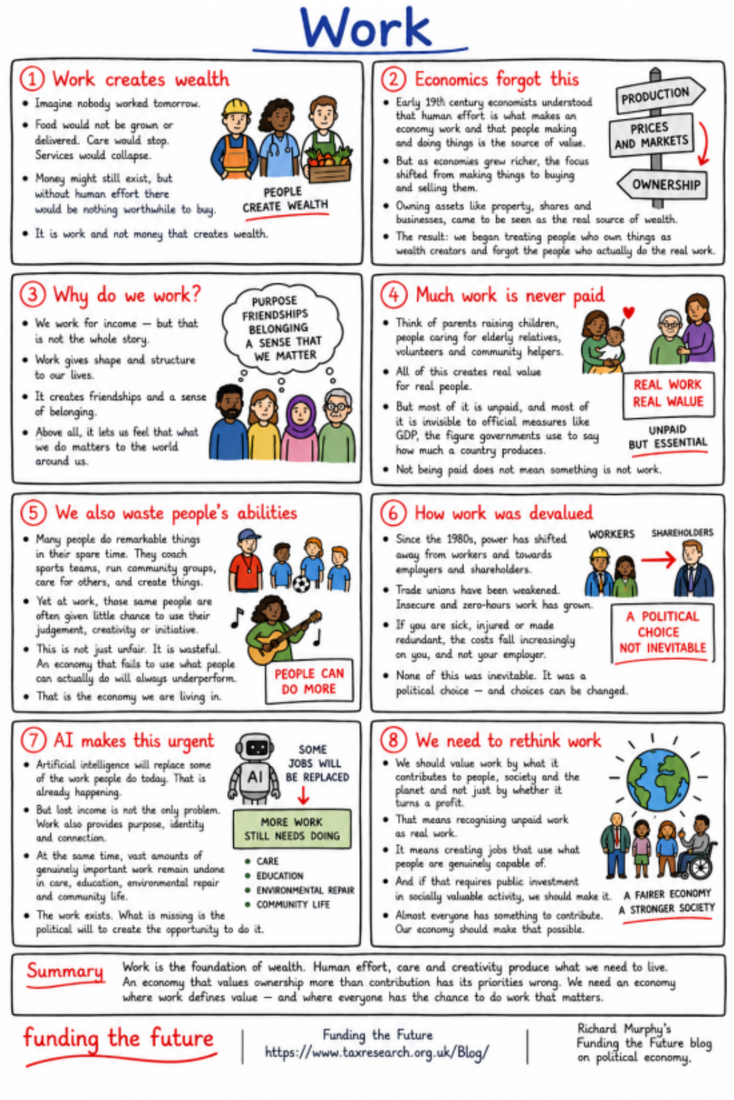
If we want an economy that serves people, we need to rethink what work is, what creates value, and what our economy is actually for, which is why Understanding Economics, because in the series I ask what economics looks like when people really matter. You can find links to other videos in the series here.

https://www.youtube.com/watch?v=8B0w6nEtOS8?si=-kZSDexzGUf1iZFL

This is the audio version:

https://www.podbean.com/player-v2/?i=4cxkq-1b61c24-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=auto&logo_link=episode_page&btn-skin=c73a3a

This infographic supports this video:



This is the transcript:

Hello, I'm Richard Murphy, and this is Understanding Economics. That's the series of videos that I'm making, which explains the way in which I think our economy works. Now, I have to stress that this is how I think the economy works. It is not how most economists think the economy works, but their stories about the economy have led us to be in the mess we're in, and I'm trying to build a narrative around the way that things actually work. And that is what I think is important, and that is what I think adds value by creating a series of videos that ask questions about the world in which you and

I actually live.

And in this video, I want to talk about work and what it is, what it does, and how we should value it.

Just imagine that nobody worked tomorrow. No food would be grown. There would be no care services. Services in general would collapse. There would be nothing to buy. Money might still exist, but without human effort, there would be nothing worthwhile to exchange in any known marketplace. It is work and not money that creates wealth. That is my point in saying that. We have to understand that work is the foundation of our economy.

Early 19th-century economists, those who existed from Adam Smith to the time of Karl Marx, all understood this. They realised that what makes an economy work and what creates value is the people who undertake the activities that create things that we need. But as economies grew richer from about the 1870s onwards, the focus shifted from making things to buying and selling them. And that is true of the real economy, and that is true of economics. It changed its focus and purpose to justify this shift from production towards the basis of extracting money from business ownership, property ownership, and the management of these resources in a way that wasn't about creating real wealth, but about creating financial wealth.

We began treating people who owned things as wealth creators, though as a result, and forgot the people who actually do the real work. That distinction became very real, and it continues to this day.

But why do we work? Well, obviously we work for an income. Most of us have no choice. That is the way we are going to get the resources that we need to survive. But that is never the whole story about work, or it isn't for most people. Work gives shape and structure to our lives as well. It creates friendships and a sense of belonging. And above all, it lets us feel as though what we do matters to those in the world around us. And I see this everywhere in the interactions I've had throughout my career, and now with the people who I engage with in all the businesses that I have dealings with. Those interactions reveal that people get from work something very much more than their pay.

And there's good news to that because a great deal of work is never paid. Think of parents raising children, people caring for elderly relatives, volunteers, and community helpers. All of this activity creates real value for real people, but most of it is unpaid, and most of it is invisible to official measures like GDP, the figure that governments use to say how much a country produces.

But not being paid does not mean something is not work. We all know that because we all know that there is work that we have to do, which will never be paid for, but which nonetheless does either provide value to us or to someone else, and as a result, improves the lot of human well-being, and that is what work is all about.

At the same time, there is a problem with much of paid work. When I go out and about, what I see is people doing remarkable things, very often in their spare time. They coach sports teams. They run community groups. They care for others, and they create things. Yet at work, these same people are often given little chance to use their judgement, creativity, or initiative. That is not just unfair. It is deeply wasteful.

An economy that fails to use what people can actually do will always underperform. And that is what the UK is doing. We have a problem with productivity in this country. It is because we do not let our people do what they're best able to deliver. This is the economy we are living in.

And since the 1980s, work has been devalued, and that has been a deliberate policy choice. Power has shifted away from workers and towards employers and shareholders. Trade unions have been weakened; insecure and zero-hours work has grown; and if you are sick, injured, or made redundant, the cost falls increasingly on you and not on your employer. None of this was inevitable. It was a political choice, and it was a choice to undermine the value of work. And choices like that can be changed, which is an important point to note.

AI makes all of this even more urgent, though. Artificial intelligence will replace some of the work people do today. This is a process that has always happened. I can recall when there were things called typing pools. There is no such thing today. The word processor has eliminated the need for typists, and AI will eliminate the need for some jobs. But lost income is not the only problem that will arise as a result, because work also provides purpose, identity, and connection. And if that is lost because of the mass introduction of AI, as some fear, this will have a significant impact on the well-being of people in this country.

But I've got to stress at the same time that there are vast amounts of genuinely important work that is simply not being done in our country at present. There is too little care being provided. There's too little education. There's too little environmental repair, and there's definitely a shortage of investment in our community life. Work exists, in other words. The opportunity to do it is what is missing. Politicians will not fund people to do the work that is required and are wringing their hands over the work that will disappear. There is no reason why we couldn't see this as a moment of liberation. A chance to refocus work on what is needed rather than what has been done, but which is no longer required.

We need to rethink work in other words. We should value work by what it contributes to people, society, and the planet, and not just by whether it turns a profit. This means recognising unpaid work as real work and changing our measures of production to reflect that fact. It means creating jobs that use what people are genuinely capable of creating. We need, in other words, to use people's talents. It's a crime that they're left to go to waste. And if that requires public investment in socially valuable activity, we should make it.

Almost everyone has something to contribute. Work is valuable. Work creates the value in our economy. Our economy should exist to make those things possible. And if it doesn’t, we’ve got our economy wrong. And that’s what the focus of Understanding Economics is all about.

Let’s be clear: work is the foundation of wealth. Human effort, care, and creativity produce what we need to live. An economy that values ownership more than contribution has all its priorities wrong. We need an economy where work defines value and where everyone has the chance to do work that really matters.

This is why I think it’s important to create a series like this on Understanding Economics as if people matter. If you agree, there is a playlist down below this video, which you could watch. There are quite a number of videos in this series now, but all of them are only about 10 minutes long, and you could watch them in order and begin to understand that a different form of economics - an economics that serves you and your interests is possible, and that is what Understanding Economics is all about.

Poll

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