

Foreword

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The economy itself is commonly discussed as if it is a goal in its own right rather than a means to an end. The result is economic growth pursued at all costs, without sufficient consideration of its implications for human well-being, equality, social costs, environmental limits, or their interconnection with each other – a socially disembedded version of the economy.

Karl Polanyi's argument, that attempts to disembed the economy from social norms will inevitably result in society re-asserting control over economic activity as the social costs of self-regulating markets become too great to be tolerated, has clear resonance today. We find ourselves poised in the UK to impose regulation on the banking sector with a view to increasing financial stability and reducing the impact of speculative behaviour in that market, in response to the 2008 financial crisis and the faltering global economy. At the global level, we see the increasing recognition of the devastating impact human beings and the unconstrained pursuit of economic growth has had on degradation of ecosystems.¹ If continued unabated, this degradation will pose a major threat to the well-being of future generations. Added to these is the dismal indictment that, despite its economic wealth, the UK has been unable to eradicate its problems of poverty and deprivation.

Karl Polanyi's contribution to economic debate was to demonstrate that, left to their own logic, unregulated markets do not achieve rational and equitable outcomes. He challenged as false utopias self-regulating markets framed both by classical economics and central planning. Instead, he helpfully focused discussion on finding a balance between market and non-market mechanisms, private and public, and the individual and the community.

At **nef** (New Economics Foundation) we argue that the purpose of the economy should be to enhance the well-being of the citizens of the country, in a way that is socially just and environmentally sustainable.

Subordinating the economy to these goals would require a transformation of the economic system in terms of how we value and measure progress, organise markets and structure business. Value determines how we prioritise our activities and allocate scarce resources. If we rely on unregulated markets to price everything then we find ourselves in a situation where we only value something once it is scarce. Comparing the social usefulness

1 Millennium Ecosystem Assessment, *Synthesis Report*, p. 10, www.millenniumassessment.org/documents/document.356.aspx.pdf.

and relative prices of two natural resources – diamonds and water – illustrates this absurdity. The strength of the market as an allocation function could be harnessed to drive towards positive goals, as opposed to constantly undermining them. Market prices, enhanced through the tax system, could ensure that socially desirable “goods” are cheap and socially undesirable “bads” are expensive. Other mechanisms and approaches to socialising economic relationships are debated in the following papers.

This special issue of *NILQ* represents a timely and much needed contribution to the debate about the opportunities of and limits to socialising economic relationships.