

## Book Review

**Book Author:** Raghuram G. Rajan **Book Title:** *The Third Pillar: How Markets and the State Leave the Community Behind* **Year of Publication:** 2019 **Publisher:** Harper Collins Publishers **Book Pages:** 434 **ISBN:** 9780008276300 **Price:** ₹799

**Reviewer:** Litty Denis, Assistant Professor, Central University of Gujarat, India

### **Inclusive Growth: Policies and Programmes with a Community-Centric Approach**

Inclusion is a concept that has been discussed in most academic circles; it seems to be the most adored slogan of the state and many others who are working for developing societies. However, it renders, if not always, most of the times only as rhetoric since the levels of deprivation does not seem to show any significant improvement. The challenges still persist in terms of infrastructure and regional divide, social structure and policy and inclusive governance. Rao (2009) strongly recommended the need to create a comprehensive and active social policy for providing safety nets to cope with the adverse consequences of non-inclusive growth under the prevailing iniquitous social structure. According to him a comprehensive social policy should have four major elements encompassing land policy, rehabilitation and resettlement policy, social security for the unorganised sections of labour and financial inclusion.

The current times is a period marked by remarkable growth but one which is increasingly characterised by processes that tend to suffocate the marginalised and push them to utter deprivation, 'The Third Pillar' is a book that focuses on bringing back 'the community' to the centre of all policies and practices and not leaving them behind.

The book is another commendable work from the author of 'I do What I Do', 'Fault Lines' and 'Saving Capitalism from the Capitalists' (with Luigi Zingales). He lucidly presents in the book the irony of how the community for whom the 'State' and the 'Markets' are created have left them behind in their pursuit of growth. Rajan gives a vivid description of how the community still matters as it anchors the individual in real human networks and gives them a sense of identity. On the other hand, the markets and states have steadily encroached on activities that in the past used to strengthen bonds within traditional community. He strongly emphasizes that States and Markets need to be more inclusive which embed the empowered community and will eventually achieve what he terms as "inclusive localism" which will be essential for community revival and rebalancing the pillars of the society.

### **The Inevitable: State, Market and Community**

Rajan believes that the State, Market and Community are the three pillars of the society which need to maintain the right balance continually for a healthy and developing society. The book has been structured into three parts with the first one discussing how the pillars emerged and the second part delving upon the imbalance between the pillars and finally the third one deliberating on restoring the balance with individual emphasis given to each pillar and solutions reinvigorating and reforming markets, state and community. Discussions in each part are evenly poised across four chapters each, the last part having five though, which emphasises on the need to bring the balance.

Rajan sets on his task in the book by first defining which community is he trying to address in the book whether it is the distant or even virtual communities that

have become very significant today or is it the proximate community. He argues that it is the proximate community that anchors one to the real world. He says ‘it is where we participate as sociable humans, not as clan members, co-religionists, professionals, or disembodied opinions on the web’. Moreover, he strongly opines that the proximate community provides the best chance to persuade others that humanity unites more than the origins that tend to differentiate people. And this perhaps is the most essential character that would differentiate the idea of functional and dysfunctional communities. The discussions in the book are enriched with frequent illustrations drawn from various communities like Pilsen from Chicago to Elberfeld System in Germany and engages the reader consistently. One of the pivotal and well documented chapters is *Tolerating Avarice* in terms of explaining how the pillars emerged and why it is inevitable to deliberate about the imbalance between the pillars. It also discusses at length how institutions like Church and Christianity played a major role in influencing the pillars in Europe.

### **The Imbalance**

The second section is a wonderful discussion on how the imbalance was gradually created by the pressure on the States to make promises, impact of the Information and Communication Technology (ICT) revolution, the rise of radical populism and the growth stories of India and China. In chapter five *The Pressure to Promise* he deliberates on two substantial promises, one of the social security to populations and the second to expand immigration over time backing on the expectations of strong continuing growth. But since the scenarios changed and the Information-Communication-Technology (ICT) Revolution impacted jobs negatively. But on the other side it created different jobs. Essentially what ICT did was it generated demand for different set of capabilities and resultant growth did increase the incomes for many but also increased inequalities, it led to concentration of industries in the hands of the powerful few by scaring competition and altering the rules of the game, it changed the composition of the workforce with professional licensing prohibiting entry to professions without license and thus limiting competition. This should have called for sensible government regulation but the process suffered due to weakened public response “as countries tried to break from the collectivising legacies of the Great Depression and Second World War” (p 210). He has discussed the European approach and the pros and cons of their policy priorities due to which Europe has a more competitive and stronger market than the U.S. However, he adds that probably one of the most important mistakes was to attempt to integrate Europe and expecting that the countries would meet their responsibilities toward one another as a united front although, in fact there was not enough empathy, solidarity or trust between the peoples of the countries, a fact which was evident during the immigration crisis in 2015.

Also significant is the debate on re-emergence of ‘Populism’ due to various reasons as having tendencies to create greater imbalances among the pillars of the society across the US, Europe or other developing countries. He subtly approves both the left-wing as well as the right-wing populists in that the elites have betrayed the people’s trust in the past and therefore ‘populism, at its core, is a cry for help, sheathed in a demand for respect, and enveloped in the anger of those who feel they have been ignored’ (p 217). Though Rajan also gives a ray of hope in the chapter stating that “if these radical populist movements push for reforms that include rather than exclude, that tackle the cronyism and the usurpation of opportunity by the elite- as did the Populist and Progressive movements in the nineteenth-century United States- they would be very healthy correctives for restoring the balance” (p 244). The last chapter in this section discusses the need to consider the “Other Half” of the world in the global structures and policies. The emerging economies especially India and China with one of the fastest growth rates and largest population will have huge impacts on the devel-

oped economies. The discussion in this chapter departs from the US and Europe and is located in the Asian prowess (along with a mention of African and Saudi Arab nations) and the need to rebalance the growth perspectives.

### **Building the Synergy**

Third section Restoring the Balance is the critical argument and the mainstay of the book which Rajan envisages quoting Mahatma Gandhi “You must be the change you wish to see in the world”. Society and Inclusive Localism is the mainstay of the entire work. But he adds the caveats when he recommends ‘Inclusive Localism’ as a solution and states that it “does not mean that community powers will be unchecked- they will be balanced by the other two pillars, the markets and the state, which will force openness and inclusion’ (p 285). Instead of populist nationalism, the need is to build a concept of nationality in order to move towards a citizenship framework of inclusive civic nationalism based on shared values that does not exclude anyone based on ethnicity or religion. The role of the state should reduce and be balanced by divulging much of it to community through local governance, this will ensure building a sense of identity and purpose in global markets and also diffuse the allure of divisive majoritarian national identities. Such a scenario is also capable of taking care of many problems like corruption and inequities of income. At the same time, communities left on their own could also prove to be isolated, vulnerable, unproductive, sometimes oppressive too and thus, comes the role of the state and the markets. Rajan strongly points out that the role of states should also be that of a controller particularly for international inflows and outflows as much as he recommends that the multilateral institutions also limit their role only to thwart sustained adverse effects on other countries and also to control carbon emissions and governing global commons.

### **Conclusion**

Any deliberation on inclusive growth will have a lot to offer after this landmark book. State, Markets and Communities should do a serious re-thinking on the lines recommended, reinforcing the role of communities and its impact on the state and the markets for policy making. The book is an essential follow through of the earlier books ‘Fault Lines’ and ‘Saving Capitalism from Capitalists’. Solutions in the book at times also sound akin to that of Sen’s Capability Approach (Sen 1993) where he discusses on investing and developing capabilities of individuals. He exhibits a great understanding of human development when he writes on communities while being focused on the interconnectedness and interdependencies of systems. Rajan’s wide experience of working in the Global South as well as with various multilateral institutions provides him deep understanding to put his views with great authority and conviction. Though one may feel that he fails to give a very radical solution but he does add to the literature for those researching on a wide range of issues like human development, governance, inclusive growth and even corporate social responsibility etc. It is an easy and informative read for academicians, researchers, policy makers, practitioners and capitalists.

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