

***The Third Pillar: The Revival of Community in a Polarised World*, by Raghuram Rajan. London: William Collins, 2019. 464 pp.**

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Raghuram Rajan argues in *The Third Pillar* for the empowerment of communities—the “third pillar”—to balance the currently exaggerated power of both markets (the “first pillar”) and governments (the “second pillar”). As he discusses in the preface, Rajan adopts a dictionary definition of *community* as “a social group of any size whose members reside in a specific locality, share government, and often have a common cultural and historical heritage.”

The Third Pillar contains three parts. Part 1, “How the Pillars Emerged,” is a historical overview across four chapters on the three pillars’ emergence out of “the original single pillar, the community” (25). Part 2, “Imbalance,” discusses in four chapters how, owing to several developments since the postwar era, we today have an imbalance between the three pillars and why specifically the pillar of “community” needs to be strengthened. Finally, part 3, “Restoring the Balance,” proposes in five chapters several initial steps to restore the balance between the three pillars by strengthening the power of communities rather than diminishing the power of the market.

The main contribution of Rajan’s book is the combination of 1) the realistic working assumption of holding the power of the global market fixed while at the same time 2) considering whether reinvigorated local communities could offer a better counterweight to the market. So, rather than a negative argument for increased regulation of markets to curtail their influence in an attempt to rebalance the three pillars, the positive argument is considered whether a rebalancing could be achieved by (re)strengthening the local community through (re)locating political power and decision-making from the (trans)national to the local level.

Let’s start with the end, part 3, because it presents Rajan’s main positive argument. Rajan argues for an “inclusive localism.” Localism is understood as “the process of decentralising power to the local level so that people feel more empowered in their communities” (285). But because Rajan is concerned that advocating localism *simpliciter* could give license to the establishment of intolerant and oppressive communities, he adds the qualification of “inclusive” to localism (299). Inclusive, however, is not strictly defined. Rajan appears to understand the inclusive kind of localism as a localism where communities are not given free rein but are checked by the other two pillars, the market and the state (285).

My concern with Rajan’s argument for inclusive localism is that it gives too striking an impression that Rajan wants to have his cake and eat it too. Specifically, this concern arises because of the following tension, at which Rajan hints in passing but which he never appropriately addresses. On one hand, Rajan suggests that the community should play the prominent role by claiming the following:

As countries assert a muscular nationalism, nations come closer to conflict. For this reason, the natural offset to an expansion in the market cannot be expansion in the power

of the state, it has to be more a strengthening of the community through local empowerment. The centripetal forces within the local community have to be enlisted to offset the centrifugal forces of the global market (284).

On the other hand, the power of community seems to be rather limited, because Rajan also claims that “when inclusiveness [generated by the market and, ideally, protected by national governments] goes up against localism [generated and protected by communities], inclusiveness should always triumph” (286). A related apparent contradiction can be found in his answer to the question whether community or the market takes priority in a case of conflict between what is conducive to the market and what is conducive to communities. At first, Rajan appears to suggest that communities are of prior concern (390), whereas later, he appears to suggest the opposite—that the market should prevail (392).

How to resolve the tension within Rajan’s argument? Building on his chapter 6, “The ICT Revolution Cometh,” Rajan’s own answer seems to be through technology. For, example, on the relation between “virtual communities” and “[physically] proximate communities,” Rajan highlights the surprisingly positive role communication technologies have played in tightening proximate communities (327–35). And the positive potential of technology also is part of his discussion of how to appropriately redistribute power from the national to the local level along the following three dimensions: the provision of public goods, improving of worker capabilities, and maintenance of a sound safety net. Furthermore, on the question of how to revive proximate communities that have fallen behind, again it seems that availability of technological means to organize locally is both a key enabling condition and a catalyst for community revival.

Given this overarching potential for positive change ascribed to technology, a first task for business ethicists in evaluating Rajan’s proposal disaggregates and contextualizes the use of technology across different sectors—both in the broad distinction between the private and the public sectors and in comparisons between different sectors internal to each (e.g., health care and education)—and notes both what is unique to different sectors and what is common between them. What has and what has not worked in terms of efficiency, effectiveness, and user satisfaction? Why?

Next, we could focus on Rajan’s proposed decentralization of power from the national to the local level. Could private companies anticipate or build business models that could provide either 1) the infrastructure for this process of decentralization along the three dimensions of public goods, worker capabilities, and “safety net measures” or 2) directly take over this role from the state? And is this potential two-pronged development a development that we should wish for from a business ethics perspective?

A further specific question is on the feasibility of Rajan’s proposed combination of 1) an insistence on low(er)ing tariffs globally while 2) permitting nontariff barriers to trade at the local level in the spirit of communities’ self-determination. Finally, given Rajan’s case against “gigantism”—the domination of an industry by a few large firms through, for example, patenting and intellectual property rights—and for reducing market regulations that limit competition in response, there is the

question how the community, being a smaller entity than the state, would not be more vulnerable to market forces.

In conclusion, Raghuram Rajan's *The Third Pillar* offers a fascinating discussion of the relation between governments, markets, and communities that raises many intriguing questions. But in the end, it is not clear to me that the role of communities is essential to the needs to be met and the goals to be achieved as identified by Rajan himself. As I interpret Rajan's argument, the point seems rather that empowering the local community should be the means to the end of a (further) deregulated market.

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