

## Book Review

Dr. Raghuram Rajan (2019) is a former governor of the Reserve Bank of India and an Economist at the University of Chicago. *The Third Pillar: How Markets and the State Leave the Community Behind*, Harper Collins, India, 464 pp., (Paperback) ISBN-13: 978-0525558316; NRs.1278.4.

The book discusses the three pillars of the economy i.e. state (public), markets (private), and community (society). It explains how these three pillars emerged, interaction among them, become imbalanced, and also rebalance respectively. As stated in the preface of the book, the state means the political governance structure of a country, particularly the federal government. Markets include trading and facilitating in production and exchange of all goods and services, labour, capital, financial assets, and all private economic structures in an economy. A community includes a village, small town, and social groups of any size whose members reside in a specific locality, share government, and often have a common cultural and historical heritage.

The book is divided into three major parts. The first part contains four chapters that deal with a historical perspective on the evolution of the given three pillars and the relationship among them; discusses how the state and markets grew out of the feudal community; how markets got the upper hand in society; and how the state became constitutionally limited.

The second part consists of four chapters that discuss becoming imbalances in the given three pillars, the importance of rebalancing among them, and how the evolution of development was possible since the post war Era. It examines the challenges facing communities today by including various phenomena of cultural shifts, globalization, technological change, and implications in society in the post-1970s. Society suffers various problems when any of the given three pillars weakens or strengthens overly relative to the others. For example, if the state is too weak, society turns fearful. If the markets are too weak, society becomes unproductive. If the community is too weak, society tends toward crony capitalism. On the other hand, if there is too much state, the society becomes authoritarian. If there are too many markets, society becomes inequitable. If there is too much community, society will be static. If there is market failure, the state may increase its role through insurance and social security (safety) to correct the market failure. But, if insurance and social security (safety) nets are not sufficient to cope with the problems, local communities can also play roles in social safety nets. The state (public) and markets (private) are important pillars of society but they are not sufficient for creating a fair and just society. The third pillar (community) also plays a crucial role in providing identity, social support, and a sense of belonging to individuals.

The third part of the book proposes five chapters and several initial steps to restore the right balance among the three pillars by strengthening the power of communities rather than diminishing the power of the market. It also provides solutions to the challenges facing communities and recommendations on how to rebalance among the given three pillars for the betterment of society.

The new constitution of Nepal also mentioned about the ‘Three-pillar Economic Model’ (LBMB, 2072) in which the economic objective of the state is to be achieved with the help of significant participation and development of the given three pillars. The meaning and functions of the first two pillars (i.e. state and markets) of the book are almost similar to the constitution of Nepal, but the objectives of using the three pillars and categorization of the third pillar are quite different even though definitions of community are exhaustive.

The constitution of Nepal also states to develop a socialism-oriented economy in the three-pillar economic model. But, the book uses the given three pillars to find out the problems in capitalism, because capitalism is not only markets but also the government. Besides, community plays an extremely important role but it is neglected as the third pillar in the success of capitalism. The book also talks about fundamentally restructuring given three pillars as well.

In conclusion, the book provides the wide concept of three pillars, their usefulness in the economic model in Nepal, the causes of imbalance among the given three pillars, and the roles of society with examples from different parts of the world. It also provides a way of thinking, and insightful analysis of the current state of politics, markets, economy, and society that are very useful to understand the problems in depth faced by society. The book also highlights the framework of interaction among the three pillars, their importance, and the process of restoring balance among them even though each pillar has a different role.

Moreover, the book also provides space for rethinking relationships among the three pillars and explores the importance of community to correct market failure in the broad sense through strengthening and empowering local communities. If we undermine any one pillar of them, the whole economic structure begins to unstable. The suggestion of the book seems more localism to empower the community while drawing on the state and markets to make society more inclusive. Although the given recommendations in the book are very useful, one of their weaknesses of them is not sufficient for all society.

Last, but not least, the book represents a new departure into the understanding of the community and its roles for betterment in capitalism. It is a timely and important contribution to the ongoing debates about the role of the state, markets, and community in shaping the society and economy as a whole. However, the book has already been reviewed and published in different journals like Bovino (2020); Loungani (2019); and George (2020), but the review from the Nepali

perspective is lacking. So, this review of the book is carried out from the eyes of a Nepali perspective to enrich the ideas of the three pillar economy. Hence, the book will be very useful for Nepali politicians, national planners, policymakers, researchers, and others who are interested in understanding and widening their knowledge on the given three pillars and the essential of proper balance among them in the ‘Three-pillar Economic Model’ to achieve a better society and economy.

### Reference

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