THE THIRD PILLAR:

How Markets and The State Leave The Community Behind

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The Three Pillars –
The Core Constructs of the Book

Society rests on three “pillars” -

1. The State
   a) Guarantees Law and Order
   b) & Providing the Infrastructure to Make Social Life Possible

2. Markets
   a) Provide Outlet for Ingenuity (Creating Choices) and Wealth Creation

3. & Communities
   a) Create a sense of Attachment, Identity & Solidarity.
   b) Source of Informal Institutions

Societies Only Create the Conditions for Human Flourishing when each of these three supports is Equally Strong
   - Undermine any One Pillar and the Whole Structure Weakens
Interdependence of the Pillars

- Legislation and anti-trust, property rights
- Independent countervailing power
- Security, justice, capabilities, safety
- Democratic oversight
- Productivity and choice
- Values and norms

Markets

State

Community
The Historically-Illusive Balance

1. This Balance has been Historically Elusive.

2. Medieval Society
   a) had Strong Communities
   b) but Lacked both a Capable State and Thriving Markets.

3. Commercial Nations in the 18th and 19th Centuries, in contrast
   a) Had Thriving Marketplaces
   b) But Lacked a State capable of creating the Level Playing Field.
The Historically-Illusive Balance

4. Post failure of the State-driven Models, - Unprecedented Growth after the Second World War,
   a) Western Societies attempted to Construct a New Order that
      i. Emphasized Efficiency and Profit-making.
      ii. Trickle-Down Economics

5. Resulted in?
   a) Inequality has Exploded
   b) Created a Resentful Class (those who’ve been left behind)
      a) Poorly Equipped to deal with the Challenges of Globalization.
      b) Has Fueled the Great Anti-establishment Crusade of Today’s Populists.
Dissecting the Status Quo & How we Got here?

5. Technology created Opportunities and Threats which have Differentially Impacted Different Segments of the Society

   a) Higher Competition Due to Globalization
      i. Product Markets
         a) Access to Global Markets
         b) Cheaper Overseas Labor and Other Factors of Production
      ii. Labor Markets
         a) Greater Wage Competition from Immigrants

   b) An Upward Shifting of Regulatory Empowerment: Alienating Local Communities
      i. From Local -> National -> International Level (Basel Capital Accords)

   c) Has Encouraged Communities to Wall Out non members through ‘Othering Process’.
The Process of Othering – Fueling Protectionism

1. **Othering Process** - View or Treat (a person or group of people) as Intrinsically Different From and Alien to Oneself.

2. **Communities** have Walled Out “Others”
   a) **Zoning** distances the Rich from the Poor
      i. Widens the Divide
      ii. Elite Schooling Separate from the Commoners
   b) Have made the Immigrants and Trade the Enemy
   c) Barriers to trade have been Established
What is the Solution?

1. Introducing **Inclusive Localism**
   a) Devolve as much Decision Making to the Community Level
   b) Use Technology to Increase Community Engagement
      i. The ‘Fix It App’ in Chicago
   c) Use existing Digital Tech to Bring High Quality Education Access to Everyone
   d) Lower Community Walls within the Nation
   e) View State-Controlled Immigration as a Positive Phenomenon
      i. Filling Labor Market Gaps

Responsibility sovereignty leads to Civic nationalism and open national markets, which supports Inclusive localism.
Why Reading The Whole of Rajan’s Perspective Is Worth It?

1. Because He *Eloquently shows* us that it *doesn’t have to be* this way.

2. The Book Details:
   a) How the *nation-state eventually replaced* the *medieval social order*;
   b) Why China *will have to rethink* its *Current Economic Model*;
Thank You For Your Time & Attention