

## Book Review

***Political Order and Political Decay: From the Industrial Revolution to the Globalization of Democracy.*** By Francis Fukuyama. Farrar, Straus and Giroux, 2014. ISBN-13: 978-0374227357. 672 pp. Hard Cover, \$ 35.

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Modern states and changing nature of political order has always been of interest to historian and political scientists. Scores of volumes are written on the subject matter from various perspectives covering the origin of state system to the fragmentation of political boundaries, development of supranational entities to the global networks of groups, and institution of market system to the implications of transnational corporations. Moreover, the advent of globalization, with the growing interconnectedness of the world in terms of economies and political order, instigated research studies on the eroding political system, state order and rule of law in many countries.

To bring a comprehensive and an interesting account to readers on the history of modern state, Francis Fukuyama has contributed an impressive study in two volumes beginning from the prehuman times to the globalization of democracy. The two volumes revolve around the argument that functioning and successful liberal democracy combines three essential elements: the state, rule of law and accountability.

The book, a cohort of the first volume, is a project that attempted to advance and update Samuel P. Huntington's classic, *Political Order in Changing Societies*, presents a detailed account of evolution of government and political order in different parts of the world. With some success stories, Fukuyama critically evaluates the causes and consequences of "political decay" of modern state system in many regions.

The first volume, *The Origins of Political order: From Prehuman Times to the French Revolution*, presented a critical argument on the political institutions. The book explained "how the state, rule of law and democratic accountability, separately or in combination emerged or failed to emerge, in China, India, the Middle East and Europe," necessitating an assessment of the evolution, development and in many cases decay of political system and order and democracy beyond French Revolution.

The current volume hence resumes the narrative on the subject matter where the first volume left off, presenting to readers an account "of how state, law and democracy developed over the last two centuries; how they interacted with one another and with the other economic and social dimensions of development; and finally, how they have shown signs of decay in the US and in other developed democracies." The book comprises four parts: The State, Foreign Institutions, Democracy and Political Decay. Dealing with the essential question of how societies develop strong, impersonal, and accountable political institutions, Fukuyama discusses the changing political systems from French Revolution to the Arab Spring and the dysfunction and decaying contemporary politics in the US. Fukuyama assesses "the effects of corruption on governance, and why some societies have been successful at rooting it out. The author explores the different legacies of colonialism in Latin America, Africa, and Asia,

and offers a clear-eyed account of why some regions have thrived and developed more quickly than others. And he boldly reckons with the future of democracy in the face of a rising global middle class and entrenched political paralysis in the West."

For Fukuyama, countries like Denmark exist as models of bureaucratic efficiency and efficacy. Their transition from weak political entities and state order to the effective and strengthened government can be an example for many states. "While we all have a sense of what good government should be, we have not a clue how to get there." To make the case comprehensible, Fukuyama mentions "Denmark" more as a metaphor for an ideal political entity where modern state, rule of law and democratic accountability work effectively in combination with each other.

As Fukuyama believes that state system across the world experienced changes over centuries, American political order is now faced with deep dysfunction and decay. In Fukuyama's view, the US democratized before becoming a strong state which allowed a power vacuum at the top that persists till date. Moreover, since the state, rule of law and accountability "are intrinsically good, they often work at cross purposes. For example, Americans, obsessed with accountability, built a system of checks and balances so formidable that it has paralyzed governance. The result is what Fukuyama calls a "vetocracy," in which small interest groups regularly block measures for the common good."

In many ways *Political Order and Political Decay* is Fukuyama's most significant and impressive work to date. "There is no automatic mechanism that produces clean, modern government," and that "political development was a separate process from economic and social growth, and that before a polity could be democratic, it had to provide basic order." Hence what Fukuyama concludes is that irrespective of "globalization of democracy", without having effective state and order, functioning democracy is impossible. "Since fractured and failed states are embedded in many parts of the world, the unavoidable implication is that hundreds of millions or billions of people will live without democracy for the foreseeable future."

The cover page of the book is catchy and smartly designed to convey the transition of political order in different eras. Some readers may find it difficult to grasp over 600 pages yet the book brilliantly and effortlessly maintains the interest of readers by keeping the mode of narrative engaging. The book for sure is a significant and useful account for the academicians, students and researchers particularly, in the field of political science, history and international relations.

## Case Study

### Role of Too Big to Fail Companies in the

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The subprime mortgage crisis of 2007-2009 and the subsequent meltdown the world has seen since the Global Financial Crisis of 2007-2009. The reasons cited for this crisis—commonly known as the subprime mortgage crisis—include derivatives, out of control market, greed, and credit rating agencies. This case aims to study the role of companies which are considered as the too big to fail companies commonly referred to as too big to fail. Their failure could prove disastrous for the world economy. Found in the financial sector, especially in the banking industry, these too big to fail companies, their presence is not only causing but also exacerbating the global financial crisis. This case sheds light on what went wrong and how to avoid a similar crisis in the future.

### 1. Introduction

Conventional wisdom suggests bigger is better. It is seen as a positive sign and achieving economies of scale. The benefits of size if not kept in check can be related to becoming bigger, especially if the company becomes too large and interconnected. In the modern economy it is said to be a too big to fail company.

The Global Financial Crisis of 2007-2009 was the worst since the great depression in the late 1920s. This crisis led to this crisis. Many analysts consider inadequate regulation by the US Government led to the crisis.

Either way the large financial organizations are trying to make the connection between the crisis and the rational for becoming too big to fail. The terms central to the crisis, financial crisis, and a brief historic account of major financial crises, systemic risk and contagion. A more detailed account of 2007 is done in section three with a critical analysis. This section of this study provides recommendations to the financial system to avoid a similar crisis.

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