

THE ECONOMIC CRISES AND THE DEMOCRATIC INSTITUTIONS IN THE DEVELOPING COUNTRIES

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Abstract: The article discusses how democratic societies react to problems derived from economic crises. The article argues that recent history shows that economic crises do not necessarily produce authoritarian regimes. The main argument developed along the article is that democratic institutions are based on the assumption that divergent perceptions, conflicts and economic crises are natural phenomena of social life. As a consequence, democratic regimes tend to do better in dealing with economic crises and with inevitable social and political changes, and this is true even for developing countries.

Keywords: Democracy and economic crises. Democratic institutions. Conflict and political change. Economic crisis and developing countries.

1 Introduction

The relationship between economic crisis and political change has always called attention of analysts and heads of government. The observation of events in troublesome periods the world economy has experienced along the last century leads the analyst to at least two conclusions relevant to the theme of this article. The first is that the influence of the economic crises on the political regimes is very limited, that is, the occurrence of an economic crisis, even a large one, does not mean necessarily that the democratic institutions should feel threatened. The second conclusion is that, depending upon the degree of maturity of democratic institutions, such institutions help overcome the crisis, although a crisis makes it difficult for the ruling party to remain in power.

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The theme inevitably sends the analyst back to the period between the two World Wars of the 20th century, when the world economy went through a widely-known crisis that many analysts use to call “systemic”. What occurred in that period is still a reference to understand the nature of economic crises and their relationship with turbulences and uncertainties in the performance of political institutions. Effectively, by observing the events between the two World Wars, there is evidence that, in many countries, the economic crisis strengthened trends of expanding the more radical political forces placed both on the left and on the right side of the political spectrum, generally associated to charismatic leaders. Nevertheless there is no evidence that such a phenomenon can be generalized. The historical facts show that economic crises may have helped the rise of authoritarian regimes, but they are far from being evidence that economic crises produce the downfall of democratic regimes. If on the one hand the history of the 1930s crisis shows that economic difficulties have helped to foster political forces such as Fascism and Nazism, on the other hand, there is much evidence that democracies such as those of the US and of the British effectively went out of the crisis strengthened. Furthermore in many ways democratic institutions were important for the formulation of policies and more lasting solutions to the crisis.

2 Economic Growth and Crisis

Differently from the commonplace understanding, the crises in the world economy – though always undesirable – must be seen as natural phenomena and not as anomalies that should not occur. It is necessary to consider that the world economy is dynamic and that changes are an inevitable part of its nature. Obviously, everyone’s desire is that changes occur smoothly, without turbulence and pains. However, nature has its own way to carry out changes and transformations. The expression “labor pains” is used to define the traumatic event of a child birth, and there are many species, e.g. butterflies, which go through real transformations in their nature since they turn up as embryos. Life in human societies is manifested through changing forms somewhat similar to these species in nature. The patterns of people’s engagement in the life of a society are transformed throughout time. “May you live

in interesting times”, says an ancient curse extracted from the millennial Chinese wisdom. The most plausible interpretation of this understanding is that “interesting times” are times in which many things happen apart from the current standards generating uncertainties, bringing about toil and pains, and leading people away from their comfortable and safe routines. Living in “interesting times” means that we are facing a changing reality that calls for courage, hard work and even creativity. In a nutshell, it is a time in which the life cycle is stirred. To put it in popular terms, one can say that the “interesting times” are a curse because they are opposed to the customary greetings we send to our friends at every new year’s season. The messages we usually send on such occasion to our folks, are those wishing that along the new year they live moments of peace and harmony and that they come to be blessed by a serene prosperity. In the new year’s greetings, we do not wish to our friends and folks they should live “interesting times”, even considering that breaking up equilibrium and stability, besides uncertainties and strains, also brings about opportunities and new perspectives.

Kant said that humanity yearns for a life of peace and concord, but nature establishes restlessness, dissatisfaction and even incomprehension as natural living condition for human beings:

humanity wants harmony – Kant writes – but nature knows better what is good for the species and gives them discord. Humanity desires to live blissfully and enjoy life, but nature determines that human beings abandon their sloth and passivity and dedicate themselves to work, labor (...) (2006, p. 7).

According to Kant’s view, everything human kind attains that is good, either by fulfilling their material needs and searching prosperity, or by conquering assets such as peace and justice, can only be achieved at the cost of dedication, hard work and even sacrifices. In similar way on Weber’s words, in modern economy the “spirit of capitalism” was strongly influenced by the biblical wisdom “in the sweat of thy face shalt thou eat bread”. In a more sociological sense, the “interesting times” which the Chinese people refers to, are part of this natural change and transformation process inherent to the organized societies, especially in modernity in which the idea of progress has become a central value

in the political and economical order¹.

Several economists have formulated the understanding that the economic growth occurs by means of cycles alternating periods of growth with periods of “interesting times”, characterized by uncertainties and difficulties. In a very instructive metaphor, Schumpeter (1985) said that the economic development was not similar to the gradual and organic growth of a tree, that is, the economic development does not move towards one direction, continuously, as a small shrub that gradually becomes a large tree with no substantial changes in its structure and composition. In the economic domain changes and growth occur through changes, setbacks, and multi-varied accidents along which new practices and institutions are born, while others cease to exist or at least change their relative importance.

In summary, though undesirable the crises must be seen as natural events which are inherent part of the economic life. Either for the case of the global economy, or for the economies taken separately, even when the economic environment is unrestrictedly favorable – some people might say, especially when the economic environment is quite favorable –, it is necessary to consider that any favorable cycle is bound to attain its limit, and that it is necessary to be prepared for instability and change. After an expansion period, in which the investment opportunities are absorbed and explored by the economies (fixed assets, such as those of the real estate market, use and making of vehicles, household appliances, cell phones etc.), generating growth, inevitably a limit will be reached in which these opportunities begin to fail making more and more difficult to expand markets based on the same foundations of the exhausted growth cycle. The rise of uncertainties and difficulties becomes increasingly inevitable usually taking the form of drops in the values of financial and real assets. Rapidly, an environment of decreasing dynamism is established both for the consumption markets and for the investments. Some scholars, such as Kindleberger (2000), trace this crisis route until the investors are panic-struck, who are owners of assets (*herd behavior*), wide

¹ Robert Nisbet (1985) understands that the notion of progress is so central that it is possible to affirm that, if the idea of progress disappeared, with it a lot of that which is considered as civilization in the western countries for ages would disappear.

spreading the crisis. This would be a typical economic crisis itinerary². The most provident governments, even in prosperity times, seek to monitor economic variables, carry out prospective evaluations and, if possible, develop initiatives and investments aiming at adjusting the conditions and even their institutions in such a way that the moving from one cycle to another occurs with no great alarm and stress. The crises indicate that these governments have been only partially successful in this goal, but there is no way of knowing if that would be possible to totally avoid the traumas of the economic changes which are inevitable anyway.

3 The economic crisis and the political institutions

Crises, as well as growth waves, do not hit the countries in equal terms. There are circumstances that make one economy more vulnerable than others to a crisis, and in the same way there are conditions that benefit some countries more than others along the growth cycle. In essence, as it was said herein, a growth cycle is defined by the dynamism in the economic activity resulting from the opening up new markets or expanding those already existent, which generate jobs and provide gains for those investing in growing markets-related businesses. On the other hand, a crisis rises when these markets cease to expand or, worse, when they are contracted and the situation is inverted: the jobs decrease and the investors' gains may change into losses. Generally the economies which lose more in terms of job level and profits are those economies that benefited more from that growth cycle. In this sense, except in very peculiar cases, an economy that does not suffer the effects of a crisis means also that it has not benefited from the ending growth cycle.

During a good part of the history of the world economy that we use to call gold standard order, new nations identified as "rich in natural resources", e.g. Argentina, Uruguay, Australia and even the United States, were part of the economic order pivoting around the United Kingdom and Northern Europe, that is, the dynamism of these economies made them strongly tied to each other. At that time,

² This term (*herd behavior*) is used by Kindleberger (2000).

the British economy's sanity was seen as something desirable for Europe and for its periphery as well. Such a perception derived among other reasons, from the fact that the British Pound was the system's central monetary unit and almost half of the international investments were British, and a great deal of foreign reserves of most countries were kept in sterlings. It is possible to say that after World War II something quite similar to that occurred in Europe and, later, in Asia as regards the USA. This fact helps to explain why some countries such as Brazil have not been strongly affected by the crisis triggered in the world economy by 2008. For a variety of reasons, the rulers of the Brazilian state decided to keep the country at the outskirts of the growth cycle that spread through the world economy in the quarter of century before the crisis. Actually, the so-called "globalization" always has been seen very much with reservation and even suspiciously by the Brazilian *intelligentsia* and also by Brazilian government officials.

In principle, as a generic observation, there is no doubt that the economic crises produce strains forcing in different ways the institutions which organize economic, political and social life. The question is to know in which ways these strains may influence the functioning of these institutions, especially those guiding the political order. The problem is that, besides the fact that crises affect differently the countries, there is a wide spectrum of possibilities, in the form of a continuum, which ranges from the most consolidated democracies to countries undergoing varied forms of authoritarian regimes, passing through societies where the political institutions support democratic regimes that were not yet put to the test by severe crises.

This variety of conditions obviously applies to the condition of "emerging country". The so-called emerging countries are very different from one another. If the countries composing the BRICS grouping are taken as examples, there is virtually no similarity that might justify the idea of regarding them as a grouping. Strategic situation, cultural tradition, political regimes or even commercial and financial interests do not attach them, unless when facing very specific circumstances, which would not justify establishing strategic alliances. Actually, a relatively common characteristic to the BRICS is the importance of expanding the domestic market – a characteristic that may have helped

them to reduce the international economic crisis' impact, but it is not enough to bind them under any strategic alliance. In this scenario, the effects of the 2008 financial crisis have also been affecting very differently politics and the perspectives for democracies in these countries.

4 The historical experience of crises

The Great Depression in the 1930s is seen as the producer of many political developments that resulted in the rise of dictatorial and authoritarian regimes. It is assumed that crisis situations make the actions of more moderate political forces difficult favoring the rise of more radical political parties and coalitions that, with a convincing rhetoric, identify the “culprits” for the crisis and offer moral and ideological deliverance for the difficulties. Nevertheless, the political developments associated to the crisis which begun with the New York Stock Exchange crash in 1929 reveal a more complex reality. In countries where societies had already experienced social and political problems, they had these problems worsened and where the democratic political institutions were already fragile and unable to offer alternatives to the social and political order, obviously the difficulties were enhanced even more. On the other hand, where the democratic institutions were already consolidated and enjoyed a strong legitimacy, the preference of the great majority tended to remain within the system, rejecting the temptations of the authoritarian alternatives.

In the 1930s, the most influential theoretical approach which regards the collapse of capitalism as inevitable argued that the final crisis would occur when the market's limits were reached, causing a generalized environment of overproduction and, in fact, the main economic figures showed that, to a large extent, this phenomenon was occurring. The commodities markets had already been showing a consistent trend with price drops and stock accumulation, typical of an overproduction crisis, since the early 1920s. Many observers, even non-Marxists, were convinced that the 1929 Crash should be viewed as the outcome of this process. Despite it all, reality revealed to be much more complicated and the political answers more varied.

Seymour Lipset and Gary Marks (2000)³ observe that, differently

from what happened in many European countries, in the United States there was no formation of a typically leftist socialist party as a significant political force. Lipset and Marks examine the political instabilities occurred in the USA in the 1930s and observe that, at the crisis peak, in 1932, in a conjuncture in which unemployment bitterly struck all the US society, particularly the urban centers, the main union leaders preferred to support Roosevelt and his proposal of a *New Deal*, leaving aside the options offered by socialists, communists and other leftist groups⁴. The year 1932, when Roosevelt was elected for his first term, the economic crisis reached its most critical phase and the leftist parties reached their full force. In that year's election, however, Norman Thomas, candidate running to the US presidency for the Socialist Party, received only 2.5% of votes (Lipset, Marks, 2000, p. 259). The argument that Lipset and Marks develop in the book is the notion that it is impossible to find a sole hypothesis, sufficiently powerful to be able to explain the main developments and paths followed by the political and social organizations. Actually, generally there exist many plausible explainable hypotheses concurring to any significant outcome. In Lipset and Marks' view, the inability of the socialist leaders may have contributed for the leftist parties not to be able to capitalize in their behalf the generalized social dissatisfaction, but other factors have also contributed for that to occur. The strength of the existing political institutions, the political tradition and the values built by historical experience, referred by Tocqueville, and even faults in the socialist doctrines would have contributed for the American political system not to tumble even when confronted by such a profound crisis as the 1930's Great Depression.

Another interesting case also associated to this period that shows the limited role of the economic crises in generating non-democratic regimes is the Weimar Republic. The weaknesses of the political order in 1920's Germany did not come from the nature of the established political institutions, but from the political and social conditions over which Weimar Republic had been structured. The defeat in the War,

³ "It didn't happen here. Why socialism failed in the United States" (W. W. Norton & CO. N. York, 2001).

⁴ "The problem posed by Roosevelt before the socialists was simple. His economic and union policy strongly appealed to the poor, the unemployed, the blacks, as well as to the union workers and their leaders." (Lipset, MARKS, 2000, p. 263).

the disorganization and the loss of the elites' legitimacy, the indemnities and the economic unbalances originated from the War's effects constituted, as a whole, a huge liability for the Weimar Republic. The 1923 collapse that resulted in the occupation of the Ruhr valley by the French troops and, later, by the end of the decade, the new collapse of Germany's economy were visible manifestations of these difficulties that had little to do with the nature of the established political institutions in Weimar. Thus, the crisis begun in 1929 may have influenced the rise of Nazism, but certainly its role was much more supportive rather than inductive in the process. Lionel Richards comprehensively examines the decade and a half of the Weimar Republic and shows that hunger and misery were really part of that post-War Germany's reality, but there was also the fact that the German society passed through a process of profound changes which harshly stressed politics, the social fabric, and even the culture and in the arts. Everything were severely under pressure. Many things have died, but they refused to disappear while, on the other hand, many new things appeared but were still incomprehensible to most people. Reducing the failure of Weimar Republic and the rise of the Nazi Party only to the leaders' failure and to the unfulfilled wants generated by the crisis would be an unjust simplification for such a rich and complex society and culture as it is Germany (Richards, 1988).

The ascension of Benito Mussolini, in Italy, occurred much before the 1929 crisis and the difficulties coming from the Great Depression may have only strengthened his preferences for and tendencies to an authoritarian nationalism with a socialist trend. If in the United States the democratic political system was strong and well-consolidated, in the case of Italy, to a large extent, the opposite occurred. There was a great polarization of the political debate, in which anarchists and communists represented significant threats to the emerging middle class that, in their turn, did not rely on a liberal democracy based upon the *laissez-faire*. On the other hand, the religious issue also had a special meaning for the Italian politics, as the Catholic Church had been encrusted in the heart of a unified Italy only two generations ago and, besides, there were the frustrations with the First World War's outcomes, pejoratively called "mutilated victory" [*vittoria mutilata*]. Thus, the stimuli were many for nationalist doctrines aiming at a wide role of the

State to succeed. In this scenario, no other than Mussolini's Fascist Party had worked and built an experience able to take advantage of an environment of uncertainties and turbulences (Davies & Lynck, 2002).

The 1930s Great Depression affected countries such as Brazil basically via commodities market. In the case of Brazil, the coffee industry stood out as the main bond of the Brazilian economy to the international economic order. The collapse effects of the world coffee market were large, however, in the Brazilian economic scope, not all effects were negative. The coffee farming played, undoubtedly, an important role in the functioning of the Brazilian economy as a whole. Nevertheless, even with no crisis, the incapacity of the coffee production and exports activity as to satisfactorily meet the Brazilian society's increasing demands was more and more evident (Delfim Netto, 2009). In 1907, the first industrial census was carried out in Brazil, indicating the existence of nearly 3,000 industrial companies. The second census, carried out in 1920, indicated the existence of 13,000 companies already, showing the great advance in the process of industrialization in that period (IBGE, 2012). Movements such as the 1922 Modern Art Week indicated the existence of a social environment of increasing incongruity among the traditional political elites based on agriculture, particularly coffee, and the development of the economic and social reality where the urban sectors, settled upon trade and industry, held an increasing space. In this sense, it is not an exaggeration to say that the 1929 crisis had a more circumstantial than structural importance for the movement that led Getúlio Vargas to power. Actually, the 1929 crisis had been a death-blow for the protection and stimulus policies to coffee production. This policy was based upon foreign loans and the sources of international capital dried up completely after 1929 collapse, and furthermore the traditional prescription of economic recovery revealed itself inadequate not only for Brazil, but also for any other economy, including the US, where traditional economic recipes failed to Herbert Hoover's policies and helped to lead Roosevelt to power in the 1932s elections. Therefore, it is possible to say that the crisis' effects in Brazil influenced the *coup* that ended the República Velha [Old Republic], but in the process, there is no doubt that many particularities and conditions of the Brazilian economy and politics have played important role.

The idea that the economic crises play a very limited role in the

behavior and development of the political institutions was emphasized, recently, with the case of the series of generalized protests and dissatisfaction manifestations that was known as the “Arab Spring”. The movement’s external bases are particularly related to the phenomenon people use to call globalization, with no significant relation to the financial crisis that has concerned the world economy along the last four years. In this case, everything points out that the financial crisis was not useful even to hasten or strengthen a trend, as was the case of the 1929 crisis as regards Europe and Brazil. The protests that spread throughout the Arab countries of the Northern Africa and the Middle East had in common the characteristic of being civil resistance manifestations against oppressive regimes that do not accept a considerable part of the freedoms and civil rights typical to modern life. As a tool of information and mobilization, the expansion and generalization of the modern communication media can be pointed out, notably the facilities brought forth by the cell phone and the access to the TV networks and the World Wide Web.

In short, the “Arab Spring” has all to do with the exposition process of local cultures and political realities to globalization and nothing to do with the financial crisis that concerns the European and the world economy. It is important to observe that in Egypt, Tunis and many other Arab countries, dissatisfaction manifestations had already been occurring for a long time, escalating as from 2004. Issues such as political adversaries being arrested with no trial and demands for change in the laws regarding women rights were much more important reasons than any other issue related to unemployment and other economic demands typical to economic crisis; that is, it is not even remotely possible to relate this generalized dissatisfaction movement in face of authoritarian regimes to the 2008 financial crisis, especially if we consider the fact that the world financial crisis has been striking more severely the largest world financial centers and the developing countries more directly dependent on these centers’ financial markets. In the non-democratic countries, as in the case of Arab countries, a lot of pressure emerged from the dissemination of the feeling that the regime has served as a difficulty to access the opportunities and the benefits of the modernity and the prosperity generated by the growth cycle. The results, however, are unpredictable. It seems very naive or premature to think

that the result of the “Arab Spring” will be the rise of modern democracies in place of autocratic or dictatorial regimes.

5 Democracy, democratic institutions and crises

Although it is a central concept in the political sciences study, there is no consensual definition for the term democracy. There is, however, much consensus as regards the values supporting a democratic regime: the legitimacy of heads of government, the freedom of speech and information, the respect for the law, the respect for equality of individuals in face of the law and the transparency in public and state affairs. Benjamin Constant, in his *The Liberty of the Ancients Compared with that of the Moderns*, considers that the liberty of the moderns that should be promoted is the individual liberty related to the State, i.e., the civil and political liberties that enable all citizens to be able to, potentially, occupy political representation offices, and that the individuals have their rights and their duties related to the State duly established in laws⁵.

In this sense, one cannot understand democracy as a particular form of government, although many forms of government may influence the exercise of democracy. There are governments that adopt the republican form and exercise the vote, but the citizens are not respected in their rights and the state apparatus may treat the people in a very discretionary and uneven way; while, on the other hand, most of the modern monarchies are essentially democratic in the sense that practices and institutions are subject to the laws, assure the right to freedom of speech, regard the principle of representation and treat their citizens with equality under the law. Put differently, a possible generalization would be that from the *Dictionary of Politics*, by Bobbio, Matteucci and Pasquino (1986, p. 323), “democracy is understood as all form of government opposed to all form of despotism”, regardless of the government being republican or monarchic, whether the political system is a unicameral or bicameral parliament, or still if the State is Unitarian or constituted as a federation. In any hypothesis, the

⁵ *De la liberté des anciens comparé a celle des modernes* – lecture given by Henri-Benjamin Constant de Rebecque, in 1819. The issue is discussed from several perspectives by Benjamin Constant in the work *Principles of Politics Applicable to All Governments* (translated and published in Brazil, in 2007).

democracies depend upon the existence of many cultural and social conditions forming a very complex and delicate combination able to harbor political institutions in conditions to assure complementary, concurrent and even contradictory rights and liberties. Peoples' social and political history is the one responsible for, throughout time, the form of their political institutions; all of them, in the case of democracies, tending to what thinkers such as Bobbio and Benjamin Constant state, that is, the establishment of a non-despotic State, representative and respectful of the individuals' rights.

The forms of government are defined by institutions that organize the power relations and all the dynamics of the political action, and these institutions provide individuality and functionality to the varied forms of democracy. The strength of democratic institutions depends upon many cultural and sociological conditions and circumstances that interact with each other. In sociology, the term "institution" refers primarily to the normative systems that organize the social relations in at least five fundamental areas of human sociability: the blood relationships (family), the legitimacy in the use of force (government), the patterns in the distribution of goods and services (economy), the formation and dissemination of knowledge (education) and the relationships with the supernatural (religion)⁶. Thus, politics is only one of these systems whose characteristics and vitality patterns depend upon the good functioning and good harmony with the other systems of institutions. Hence, the question posed by this article, in the sense of evaluating to what extent the economic crises affect the vitality of institutions that support the democratic life, should be regarded from this more general viewpoint, as the political institutions cannot be seen as an isolated domain.

In addition to the fact that the economic crises appear with different intensity and characteristics for the countries – whether their economies being emergent or not –, their effects upon the political system can also vary a lot, due to institutional reasons. An interesting way to approach such a phenomenon would be to think inversely from the current practice, that is, instead of trying to identify the impacts of crises on societies one can try to start from the idea that the management

⁶ See Parsons and Shils (1951).

of economic crises will depend upon the maturity and the characteristics of the political institutions' system. At one extreme there are the societies where the institutions are very fragile, and an economic crisis, by generating critical levels of shortage, may lead this society closer to a Hobbesian environment. In societies where the political institutions are precarious, the governments tend to take an action course based on the exception regime, that is, outside the regular institutional framework where the use of force is a natural consequence. At the other extreme there are the great democracies, which have more mature political institutions. In these democracies, the economic crises, though undesirable, are seen as a natural event and the shortage problems, unemployment and unexpected rises in the economic and social costs are managed by the existing institutions that organize society.

Ralf Dahrendorf offers us an interesting point of departure for the comprehension of the issue. In a conference entitled *Seeking Rousseau, Finding Hobbes*, Dahrendorf discusses the impracticability of the implicit idea which is underneath the character of *Emile*. The implicit idea is that life in society and, consequently, the institutions that organize life in society is an evil in itself⁷. By reading *Emile*, the inevitable conclusion is that the ideal of education should be preserving the individual in their natural condition, i.e., educate the individual outside society, preventing him from learning and assuming the values and customs practiced in life in society so that, in this manner, the individual will not corrupt himself. In other words, men should be educated to avoid living together with other men and should live like hermits, for whom there are no laws, customs or formally organized institutions. Resuming Kant's and David Hume's arguments, Dahrendorf objects that it does not make any sense to think of men living outside society; the "unsociable sociability" condition is inherent to men. While he has his individuality and while he needs privacy for many things, man, due to his weakness or instinct, has the necessity of living together with other human beings. This is one of the great paradoxes of human nature. Birth and death are

⁷ In 1985, Ralf Dahrendorf gave a series of conferences within *Hamlyn Lectures*, created in 1949 aiming at, yearly, promoting the reflection and diffusion of the legal thought, inviting a prominent thinker. The conferences given by Dahrendorf were gathered on a book entitled *Law and Order*, which was translated and published in Brazil by the Tancredo Neves Institute, in Brasília, in 1987.

absolutely individual phenomena and, simultaneously, both birth and death are fundamental facts of life in society. Family is only part of this necessity of the human being in seeking the sociability with other individuals, but that would be enough indication of their natural sociability.

On the other hand, it is also part of the human nature to disagree on religion, interests and preferences of all types. Hence, rejecting the institutions and the laws that regulate divergences and disputes of interests and of world views means, in the last instance, rejecting the very hypothesis of sociability, as people worship different deities, aim at different aspirations and establish different priorities for themselves in face of the circumstances. This fact is at the very base of the distinction proposed by Benjamin Constant. Ancient societies used to establish gods, codes of conduct and even personal objectives upon which there was no opportunity for divergence. On the contrary the modern liberties accept plurality upon existence, and the State's institutions seek only to assure that this plurality is not self-destructive for society and for man himself. Furthermore, for a particular *Emile* to live peacefully in his natural world everything that he and other *Emiles* aspired would need to exist in abundance in nature. However, this is not what occurs. Shortage is the man's natural condition and everything that exists in abundance is despised or just goes unnoticed. When two men desire the same woman or that woman does not want the company of any of them, the conflict is inevitable and, in the absence of customs, institutions and sociability rules, the solution could only be Hobbesian, that is, the will of the stronger would prevail. The economic crises are, typically, situations in which shortage increases, fomenting dispute among individuals and organized groups in the form of businesses, trade unions or even countries. In such an environment, the individuals, societies and the economic agents are compelled to seek solutions for their wants and it is natural that there are attempts to "push" the costs of the problem onto their neighbors, thus enforcing a remarkable role for the institutions to avoid destructive outcomes from the conflict.

In face of this scenario, Dahrendorf resumes the argument developed by Arnold Gehlen⁸ that institutions, the laws, the family and property are good precisely because they are not natural, they are cultural constructions and, hence, fragile. "If we remove them (institutions),

man may become more natural, but that also means more primitive, more unstable”, Dahrendorf concludes (1987, p. 66). In this sense, what one may deduce from Gehlen is that democracies are the result of institutional constructions whose existence and vitality assure that the problems and divergences inherent to the human condition may be solved by means of the customs, the laws, and the reason and not by the most primitive natural law – the law of the stronger. As a consequence, where these non-natural institutions are stronger and well established, even in face of the crisis – that is, shortage – men do not return to their primitive natural condition, in other words, to barbarism.

Hence, Dahrendorf’s reflection suggests that it seems more reasonable to reverse the sense usually implicit in the discussions about the relationship between economic crisis and democracy. Largely, the economic crises are considered to give birth to authoritarian and despotic regimes, but it seems more reasonable to start from the opposite presupposition, that is, a stronger and mature democratic regime is in better conditions to cope with economic crises. Institutions and laws restrain the pressures generated from the shortage to take individuals and human groups back to barbarism. There can be many reasons for those “non-natural institutions” to be object of criticisms and dissatisfaction, nevertheless in essence, as Dahrendorf puts, the risk is, by trying to revive ingenuity of the natural world, an environment may be produced where there is no institution to avoid the barbarism of the fight for survival without any limit.

6 Final remarks

The original objective of this analysis was to discuss how the financial crisis begun in 2008 has influenced the democratic institutions’ behavior in the emerging countries. However, the reflection upon the issue showed, from the outset, that it is not possible to find a unique standard for the conception of democracy and that the concept of “emerging country” is a greatly vague concept and very little relevant

⁸ Arnold Gehlen (1904-1976) worked mainly in Viena and Aachen on themes related to culture, psychosociology and modernity. Dahrendorf bases himself upon the work *Das bild des menschen im lichte der modernen anthropologie*.

analytically, by embracing nations where diversity is much more relevant than any common elements. In this scenario, it seemed inadequate to approach the issue from a traditional viewpoint, which usually brings as an implicit assumption the idea that the economic crises produce – or at least strongly stimulate – the rise of authoritarian and dictatorial regimes. Little attention is generally given to the fact that the economic crises, although undesirable, are natural events of the economic life and that the political regimes are formed aiming at organizing the political system in such a way as to be able to guide society's political forces to face effectively the vicissitudes of life in society. In this sense, some forms of institutional construction are shown to be more effective than others to guide societies' behavior and attitudes in facing economic crises. The analysis developed herein showed that the democratic forms stand out in this scenario especially because the political institutions formed in this tradition have as a departure assumption the notion that the differences in opinion, divergence, change and even conflict are a dimension inherent to men and their life in society. In economy, the exporters' interests hardly coincide with the interests of those sectors which depend on imports. The industries' demands not always run in the same way as the policy advocated by the financial institutions and, in countries such as Brazil, it is virtually impossible to produce an economic policy that equally satisfies the large variety of interests of the different states of the federation. Thus, it is the open debate and the respect to the laws and the institutional practices that assure not only a peaceful sociability among the conflicting interests, but also assure the best chances so that society as a whole may take and incorporate in its economic system the current changes and trends in the technologies and in the markets.

Democracy is not present, or it exists precariously, in most of the developing countries. The world economic crisis does not have any close relationship with movements such as the “Arab Spring” and the democratic liberties constitute only an aspiration with uncertain outcomes. In countries such as China and other emerging countries, where the economic advance has been guided by an authoritarian and centralizing system, it is possible that a more profound crisis cause a convulsion in the political order, but there is no assurance that the authoritarian regime, single-party and civil liberty-restricted, is going to

be replaced by a democratic political order and not by a state of anomie that ends up leading to a still more radical dictatorship.

Up to now the evidences show that where there are democratic regimes the change of political parties in power constitutes the main mechanism of political reaction to the crises. Such changes are accomplished in an institutionalized manner, especially by means of elections. This system sees that the great concern of political forces and parties in power is the fact that the economic crises may jeopardize their capacity to remain in power. The bad performance of the economy, even when its origin is not identified with the domestic economic policy, tends to favor the rise of political forces that are not in power, regardless of being on the right or on the left of the political spectrum. Recent events reinforce this hypothesis, that is, in Europe, the parties in power, both conservative and socialists, have been systematically replaced since the European economy began living under the environment of uncertainties brought about by the crisis which fails to produce growth and stability.

In a general way, there is no substantive disagreement upon these facts, and actually those facts such as the 1930 Great Depression and the president Barack Obama election in 2008 are illustrative cases of the roles played by the economic crises, so as to reinforce these hypothesis regarding the important role played by the change of power when a country has to face economic crises. In 2008, until the bankruptcy of the group Lehman & Brothers and the break out of the financial crisis, all polls showed the candidate of the Republican Party still ahead of Barack Obama. The aggravation of the crisis, however, in a few weeks, completely reversed the electoral trends and saw that a candidate with no great “curriculum” quickly defeated his opponent, a much more well-known politician but whose party has already run the nation for a decade.

On the other hand, in the opposite direction, the good performance of the economy provides an environment favoring the popularity of governments in power and their continuity. In this case, what has been occurring in Brazil seems quite illustrative. In history, there is no such thing as “if”; there are only recorded facts, but it is inevitable to think that it would be very difficult for Lula to resist the avalanche of corruption charges if the political environment were

contaminated by economic difficulties, with increasing staggering growth and increasing unemployment rates. President Lula not only resisted the attacks, but also saw his popularity rise in such a way that he elected his successor in 2010. Although it is not possible to conclude that the good performance of the economy was responsible for the permanence of the Workers Party in power, it seems quite plausible to argue that the economic growth was a quite important factor in that process. In any circumstance, with no economic growth, the dissatisfaction feelings tend to spread, and from the more immediate political viewpoint, budget restrictions tend to become inevitable, making the government relations with the main political leaders difficult, either in the Congress or in the states and municipalities. Even within the very executive branch, especially in the case of Brazil, where the government is formed by politicians that represent explicit interests, rivalries and disputes tend to become enraged when facing a crisis that reduces the budget resources used as a bargain toll.

As a conclusion, an overall evaluation indicates that, until now, the crisis that has been affecting the world economy since 2008 has influenced very little the political institutions of countries such as China, India, Brazil or South Korea. Under the hypothesis of worsening of the economic environment due to the crisis, what can be done is a conceptual-based evaluation supported by the historical experience of previous crises. The countries regarded as emerging economies by having an average income, or even a low one, probably will show high growth rates and a high potential for attracting foreign investments in the case of having economic policies driven to an increasing integration to globalized markets in commerce and, chiefly, in finances. Effectively in some of these countries, the economic advances have been accomplished strongly supported by authoritarian regimes and there is no means to evaluate whether a possible growth interruption would produce as a response a democratic opening of the political system or, on the contrary, the strengthening of the regime.

It is also necessary to consider that the crisis which begun in 2008 is focused on the main world financial centers. In fact, differently from the several past economic crises, since the Second World War, the 2008 crisis essentially spread through the financial markets of the United States, Europe and Japan. Although each one of these markets shows

some peculiarities, the bankruptcy risk constitutes a common point, and all of them have investments in some emerging markets, and commerce inevitably has been the way of a possible contagion of the developing economies, e.g. Brazil, India, and even China.

The belief inherited from the illuminists was right as regards the idea that rational forms of statesmen behavior, well educated and wise, could produce better governments, but it was wrong by imagining that this combination would be the key to a good government. The modern experience has shown that the economic prosperity is essential for societies' equilibrium and that the economic growth does not occur linearly, without any changes or crises and setbacks. In this scenario, political institutions able to take and absorb changes have been the only assurance of stability and success. A democratic environment does not mean an environment where everyone is satisfied. In order to be more precise, maybe it is more appropriate to think that, in a democratic environment, the normal condition is dissatisfaction, but this dissatisfaction, instead of being the base for charismatic and populist leaders to act, it changes into opportunities and new paths. History has shown that good institutions have been the only way to manage social and political dissatisfaction turning them into opportunities for creativity and for changes, and in the end to bring back prosperity. The famous statement of Winston Churchill is still adequate for defining the feelings of the majority as regards democratic regimes in crisis times: *Democracy is the worst form of government except from all those other forms that have been tried from time to time*⁹. Actually, this was stated after the war, when he was no longer England's Prime Minister, but it could certainly be stated as a relief by any ruler of democratic societies when going through moments of uneasiness and crisis in which bitter resolutions are needed which inevitably will rise popular dissatisfaction and strengthen opposing political forces.

⁹Speech given at the British Parliament on November 11, 1947.

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