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**Financial Crisis: Democracy and Institutions**

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## **Financial Crisis: Democracy and Institutions**

The relation between democracy and financial crises is of great importance in the political and economic analysis. It means the existing correlation between the structural economic changes and the political regimes in Europe and Latin America since the crisis arrived six years ago.

In the economic, political and social history of the last years, we can observe how the adjustment measures to balance the budget and to pay the creditors have destabilized democratic regimes. The economic crisis that already points the course of six years within the most tragic and unfolding unemployment rate and social loss of wealth being that has affected economic alternatives. To the point even of put aside the main debates about the economic growth and the economic development.

It is not easy to think that democratic regime support growing unemployment rate, falling incomes of workers and middle classes, failure of small and middle enterprises, weakening of the welfare state, and deterioration of public services. Moreover, it is difficult to understand the alternation in political parties, but that don't change the policies that have created all this mess. The incapability of the parties, democratic regimes and even social movements to change the main direction of the economy during the last so many years, raise so many questions for economics and political science.

Democracy and Financial Crisis are part of the existing correlation between the structural changes and the political regimes in Europe and Latin America in the economic, political and social history of the last four decades. The economic crisis, already points six years. Unemployment rate hasn't been reduced as before the beginning of the crisis behind a social loss of wealth. The new monetary consensus isn't solving the economic growth and the economic development in Europe and even in the emergent countries. On the other hand, the yield fight has influenced the decisions of the International Monetary Fund (the IMF) in favor of the financial markets.

The G-20, since the meeting in London (2009), resurged the Washington Consensus. The goal of this group was to strength IMF performance an international task to clean the toxic instruments around the international financial circuits. To punish the governments that will not answer to the coherent plans of stabilization to reduce the public cost and to order the payment of the debts with the institutional investors.

Our position is the opposite, the dispositions should have centered in increasing the public deficit, clearing the financial shield of the central banks to guarantee the employment. Taking these policies would have resulted in gains for the entrepreneurs and new investments had multiplied the demand.

The dispute of the profits in the financial markets by the institutional investors is affecting setbacks that head the democracy to a deepening of opposite measures to leave out the crisis. The depth and the digging of the economic situation have been developed in a wild circle of dissatisfactions. The obstruction of the stabilizing

measures will entail to conscious social movements of the economic change. These will take to the recovery in a long term. Indeed, it is an economic structural crisis, deeper than the 1929's crack.

The purpose of this work is to give a vision of the economic indicators of the European countries and of the Latin American countries as of the first decade of the present century towards it to demonstrate how democracy is a regime that responds to the economic incentives granted by the State in favor of the creation of the wealth for the entrepreneurs and the employment for use for the population.

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Portrait

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## Abstract

The subsequent financial crises in the last three decades gives to the political economist and to the economic thought many good lessons about ethics and democracy. Especially along the Latin American countries, the financial crises were evidence of the great economic and political transformations, destroying the weak welfare state and the institutions, which counterbalance and used to prevent the high political power concentration. The austerity policies behind the liberalization and deregulation policies were eroded the workers organizations, political parties and wide social organization capable to express and tune all political spectrum. However, despite of the huge regional differences, Latin American countries has been taking different political histories among major countries, especially among those countries that now make up UNASUR. Nevertheless, the question is relevant for all the countries of region. In which moment in those thirty years the economic leadership of our countries stopped worrying about dialogue and worker acceptance of their policies. At what point the necessary counterweights for democratic leadership in the economic decisions were being annulated by the action organized and aware of a small group that impose the interests of financial conglomerates. The breakdown of the counterweights as results of the financial crises and the policies for rescue, put above the interest of the creditors over on employment and welfare of many people, now also in Europe. Still, the dispute of the profits in the financial markets by the institutional investors is affecting setbacks that head the democracy to a deepening of opposite measures to leave out the crisis. The depth and the digging of the economic situation have been developed in a wild circle of dissatisfactions. The obstruction of the stabilizing measures will entail to conscious social movements of the economic change.