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Economic Shocks and Political Regimes: How International Crises Impacted Autocratization and Democratization in Brazil, Germany, and the US

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ABSTRACT

Adopting the historical-comparative method, this article addresses the impacts of the four international economic crises that occurred up to 2019 on the US, Germany, and Brazil, focusing on their effects on the State, especially on the political regime, and in the post-2008 period. The selected countries have undergone different authoritarian and democratic experiences. I conceptualize the state three-dimensionally: it is a decision-making apparatus regulated by a political regime and supported by a structure of political domination anchored in expanded coalitions. I argue that the respective critical international junctures tend to impact this three-dimensionality of the state, that is, they illuminate the observation of changes and continuities in the Leviathan. I formulate and corroborate three hypotheses about these international crises: they tend to change regimes or increase or decrease their levels of democracy or autocracy; the autocratic response depends on a pro-business balance of power, which subordinates workers; the democratic commitment of the actors acts against autocratization. The contribution to the literature lies in addressing the processes of autocratization and democratization of regimes based on political economy, particularly by observing the impacts of international economic crises on States, and not exclusively by analyzing political-institutional variables.

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1. Introduction

Adopting the historical-comparative method [1], this paper investigates the impacts of the four major international crises of capitalism that occurred up to 2019 – the Long Depression[i], the Great Depression, the Stagflation Crisis and the Great Recession – in the states of three countries, the United States (USA), Germany and Brazil. [ii] Given the post-2008 autocratization, it focuses more on the dimension of the political regime of the State and on the Great Recession, which leveraged de-democratizations. But I articulate the regime with two other dimensions of the State: political association leveraged in coalitions and institutional decision-making complex [2]. Autocratization refers to the authoritarian tendency, in a temporal period, which, influencing several nations, decreases the number of countries undergoing democratization [3].

As mentioned, I analyze the State three-dimensionally. Regime is the regulatory institutionality of the government process (formation, change, right to opposition, etcetera) and of the relations between the State and society. Furthermore, the State is an organization of political domination that makes decisions, highlighting those related to its institutional form and to the economy – a key object of the political struggle. [iii] Its decision-making function takes place within a complex structural framework, in which civil society, social classes, internal and external markets and international politics stand out. In this scenario, actors associate and demand, according to their preferences, decisions on public policies and institutional rules. Since in capitalism the production of goods and services is private, the State's decisions, in any regime, have accumulation as a reference structure [4,5] and depend on and express alliances of support, whose natures are political-institutional and sociopolitical. The dynamics of alliances generate relations of cooperation, competition, and conflict.

The article is inspired by Gourevitch (1986) [6], who, to understand the political causes of economic policy choices, compared the impacts of the first three crises of the *international economy* in five developed countries (Germany, USA, France, United Kingdom [UK] and Sweden). He noted how the crises induced changes in two state variables: economic policies and the coalitions that leveraged them. The comparison here is even greater as I add a third variable, the *political regime*, and the fourth international crisis, the *Great Recession*. Thus, this work faces the dilemma of comparison in the social sciences: many variables, few cases [7]. *The four international crises are independent variables; the three dependent variables make up the concept of the State: coalitions, decisions on public policies and institutional rules, and the autocratization-democratization axis of regimes.* It is argued that the different national responses to international crises result from the interactions between these common external stimuli and specific internal factors, which tend to redefine the State three-dimensionally, as a regime, as a decision-making structure and as an association of political domination supported by coalitions. The crisis response process tends to reconfigure the alliances and preferences of key actors related to State decisions, especially in economic policy, a trend that often also affects the regime, changing it or strengthening or weakening courses of democratization or autocratization. As the three dependent variables converge within the State, it equates them. International crises are critical moments that, for actors, guide their preferences and the formation and disputes between coalitions, thus redefining the correlation of political forces. Uniquely contextualizing political action (institutional and social), crises are privileged empirical sources for analyzing alterations in the three-dimensional arrangement of the State. In international crises, the different displacements of countries in the spectrum of political regimes shed light on the encounters and disagreements between capitalism, authoritarianism, and democracy.

I selected Germany, Brazil and the USA, for the historical-comparative purpose, for the following reason: in the four international crises examined here, they presented such an insertion in the world economy that these critical junctures necessarily reached them, impacting the conceptual three-dimensionality of their States, despite their differences in productive structure, external transactions and income (high or medium); are important actors in the

world or regional economy; experienced some domestically produced (remote or current) autocratization. They have similarities and differences in displacements on the autocratization-democratization axis. Brazil and Germany experienced authoritarian regimes, but the former never went through fascism, characterized, above all, by presenting a dictatorial leadership that mobilizes the masses, aiming at popular legitimacy to completely control people's lives and annihilate any political opposition [8]. However, there are neo-fascist tendencies in Bolsonarism [9]. Since 1945, Germany has followed a democratic trajectory, although, in the post-2008 period, the extreme right has resurfaced. The US, usually considered a full democracy, lost democratic quality in the post-2008 period, passing through the Trump administration, a leader qualified by some as a neo-fascist [10]. The analysis mobilizes synchrony and diachrony, similarity and difference, intranational and international comparisons. How do international economic crises impact the three variables of the State, giving rise, in some national contexts, to shifts in political regimes?

I formulate three hypotheses correlating international economic crises and political regimes. *The first* refers to the chance of them changing regimes or inducing an increase or reduction in their levels of democracy or autocracy. Such effects correspond to structural and agency mechanisms that are favorable or harmful to the expansion or restriction of socioeconomic and political equality, depending on the preferences of the relevant actors and the balance of forces between the alliances in action. The pressures intensify the distributive conflict, which may give rise to both more universal and egalitarian responses – which develop citizenship and the social groups that the State aims to benefit with its actions –, as more restrictive ones, combining exclusion by the market (unemployment, etc.) with the reduction of rights (civil, political, social). *The second hypothesis* is that, in international crises, autocratization presupposes the generation of a pro-entrepreneurial power relationship and the subordination of workers. In this sense, I highlight three situations: a) predominance of an authoritarian-mobilizing leadership allied with conservatives and businessmen, in a context of ungovernability (Hitler); b) an authoritarian-mobilizing alliance between all or part of the big business community and conservative segments of the electorate, in a context of democratic legitimacy crisis (Bolsonaro and Trump); c) contexts of crisis of hegemony or class balance in which militarily supported leaderships emerge, which undemocratically boosts the relative autonomy of the State (Otto von Bismarck's Germany and the Estado Novo, in Brazil). The third hypothesis is that the actors' democratic commitment is a barrier against autocratization.

Unanchored from institutionalist exclusivism, hegemonic in political science [11,12], I examine political regimes and the current domestically produced authoritarian wave. I rely on (neo)Marxist visions of the State [13] and political economy, in this case, the régulation theory [14], useful to illuminate the different phases of capitalism prevailing in the four crises examined. I aim to empirically contribute to an interdisciplinary understanding of nationally generated autocratization and democratization (except for post-1945 Germany), induced by international crises, as processes based on the economic, social, political and ideological spheres, which evoke the three-dimensional conception of the State here adopted.

2. Crises of Capitalism and Transformations in the State

The debate about the crisis of capitalism re-emerged with the Great Recession (2007-2008). Since then, there has been talk of secular stagnation, reinvention of capitalism, questions about its end, etc [15] [iv]. I adopt as a definition of economic crisis "a sharp deterioration in aggregate economic performance, indicated by slow growth and accelerating inflation", or deflation, which is not self-correcting [16]. In the post-2008 period, debates emerged about the crisis of democracy and the authoritarian wave. The current coexistence of the crises of neoliberal capitalism and democracy makes it possible to examine, in a broader historical and comparative perspective, how the four international economic crises have impacted on the States of some countries.

In economic crises, structural (production, jobs, markets, currencies) and agency (decisions, coalitions) processes combine. The public agenda and alliances between actors tend to change. Sometimes, changes come through elections, when governments change. In other cases, rulers reformulate their policies, resign from office, there are coups d'état, revolutions. Alterations in public policies, alliances and in the balance of forces tend to be linked either with quantitative changes in political regimes – which increase or decrease their degrees of authoritarianism and democracy – or qualitative changes, generating their replacement. I will address the effects in the three selected states of the four international crises mentioned.

2.1. Long Depression (1873-1896)

The Long Depression, the first international economic crisis, occurred at the end of the 19th century, in the context of economic liberalism, the Second Industrial Revolution, the replacement of bimetallism by the gold standard and the first democratic wave [17]. As for the gold standard, Polanyi (2001) [18] paid attention to the risks of standardizing economic policies aimed at configuring self-regulated world markets. One of the main symptoms of this crisis was the widespread and long-lasting deflation. The political debate centered on the positioning of countries on international trade [19]. Free trade or protectionism?

In the US, the end of the Civil War brought about prosperity in urban business, industry, and finance. Opened after a decade of prosperity, the crisis had two waves, the panics of 1873 and 1893. In 1896, during the second wave, there was a realignment election, "an election type in which the depth and intensity of electoral involvement are high, in which more or less profound readjustments occur in the relations of power within the community, and in which new and durable electoral groupings are formed" (Key Jr., 1955, p. 4) [20]. This presidential election delimited the main conflicts of interest and alliances, opposing two coalitions between political parties and social actors. The winner, which emphasized production and jobs in heavy industry, gathered the big urban business community and more skilled workers in support of Republican William McKinley, defending industrial protectionism and agricultural free trade; the defeated one, described as populist and progressive, rooted in the merger between the *People's Party* and the *Democrats*, conceived citizens as consumers and demanded the generalization of *free trade*. This electoral result had an impact on the political system: it ended the balanced bipartisanship of the *Third Party System* and inaugurated the *Fourth Party System* [21], characterized by four decades of dominance by the *Republican Party* (hereinafter PR or Republicans).

In Bismarck's Germany, free trade, anchored in the junkers, gave way to protectionism, supported by the iron and rye coalition, a support bloc between heavy industry and agriculture, mediated by the alliance between the National Liberal Party and the Conservative Party. The political and ideological result reinforced, until 1918, nationalism, imperialist militarism, anti-socialism, social security and an authoritarian-competitive political system [22].

There is little specific information on the impacts of the Long Depression in Brazil. After the Panic of 1873, the crisis reached the country through deflation, which lasted ten years. In the US and Europe, it caused prices to fall in agriculture, but in Brazil, also in industry [23,24]. Analyzing the financial crisis of the abolition of slavery at the end of the 19th century, Schulz (1996) [25] assessed that 1875 was a key year to study it, its external cause being the Long Depression and its internal cause being the default on Mauá Bank. When investigating the roots of industrialization in Brazil, Luz (1961) [26] observed that the continuous fall in coffee prices, between 1880 and 1886, favored the execution of an industrial policy. However, given the strength of the free trade interests of agro-exporters and the weakness of industrialists, an effective protectionist tariff was not introduced, but the first interventionist, nationalist and pro-industrialization arguments emerged.

What matters here is the political repositioning of coffee growers in relation to the Second Reign, both due to the impact of a decade of depression on international coffee prices, and because they were not compensated for the

abolition of slavery. These factors contributed to the coup of the *Proclamation of the Republic*, in 1889, regime change leveraged by the alliance between republicans (non-radical landowners, because their abolitionism was weak or moderate), and farmers who until then were dissatisfied with the economic situation and the monarchy. They coalesced defending federalism, immigration – which is related to the impacts of the Long Depression in Europe and Brazil. The *Oligarchic Republic* emerged, which maintained competitive authoritarianism, land concentration and the power of coffee growers. After some difficulties, from 1898 Campos Sales stabilized the 1891 Constitution politically and financially [27-29].

2.2. Great Depression (1929–1939)

At the outbreak of the Great Depression in 1929, international political economy was like that of 1873: free trade and the gold standard. In that decade, the US credit and stock markets were so deregulated and attractive to speculative investment that the euphoria led to panic and the bursting of the financial bubble.

Until then, not even the socialist or social-democratic parties had incorporated in their economic ideas an alternative approach to the neoclassical orthodoxy, except socialism. As for the political regime, the context was the first reverse wave of democracy, opened by the rise of fascism in Italy in 1922. The national responses to the crisis, initiated in the pre-war period and continued after its end, innovated in terms of class coalitions, economic policy, ideology, and political regimes.

Simultaneously, and synthesizing both international and national variables, three processes of changes in the three-dimensionality of the concept of State arise. First, new arrangements of interventionist economic policies emerge, broader than mere protectionism, configuring what in the post-war period was called mixed economy, or also Keynesianism, highlighting the demand stimulus policies (Shonfield, 1965) [30]. The state and market began to establish a relationship distinct from that advocated by previously predominant economic liberalism. Faced with the crisis, governments in the Americas, Europe, and Asia intuitively implemented countercyclical and interventionist measures, later theorized by alternative economic approaches to neoclassical orthodoxy.

Secondly, interventionist policies were associated, between 1930 and 1970, with five new forms of political regime in the Western world: in developed countries, social democracy and fascism; in Latin America, on the one hand, the two types of populism (authoritarian and democratic), anchored in mass politics; on the other hand, non-populist military dictatorships. The international depression and the post-war period gave rise to the emergence of democratic and authoritarian regimes incorporating the masses, but obviously with different objectives and means. Mass societies transformed regimes, which distinctly promoted nationalism in economics or foreign policy, industrializing interventionism, and social policies. The third process concerns coalitions, which I will address below.

In the US, an electoral realignment of the Democrats with blocks of salaried voters structured the *New Deal Coalition*, which opened the *Fifth Party System*, pushing the Republicans away from the presidency, and reinforced democracy. From 1933 to 1968, this coalition structure only lost to the PR the elections of 1952 and 1956 (Hershey, 2014) [31]. The *New Deal Coalition* can be seen as the US version of the historic commitment between capital and work configured in post-war Europe, combining, especially in social-democratic governments, democracy with stabilization policies, market regulation and social welfare (Przeworski, 1989) [32]. Two steps in the post-war aiming to strengthen democracy in the US were the civil rights movement and the *Great Society* programs.

Already in the unstable Republic of Weimar, the depression contributed to leverage, in the elections of 1930 and 1932, the Nazi Party, led by Hitler. His ascension to chancellor, in 1933, from an alliance with the *German National People's Party*, caused an ideological shift to the extreme right in the fragmented *Reichstag* party system, which caused radical institutional changes in the balance of forces, in coalitions, in the political regime, in economic policy, in short, in the State.

The defeat of the German Empire in the First War, whose pacification was completed in the *Treaty of Versailles*, unfolded into a multidimensional crisis, including with socialist-revolutionary content. Faced with popular pressure led by the Social Democratic Party (SPD), the Kaiser resigned. The Republic of Weimar was proclaimed and soon had to bear with the immense problem of imperial militarism. Germany was punished with a very harsh payment plan to repair the war damage caused to the countries of the *Triple Entente*. The pacification was humiliating and fueled the conservatives' nationalism. A pact between the moderates of social democracy and the general-in-chief of the Armed Forces resulted in the *Weimar Coalition* (1918–1929), between the SPD (center-left) and the *Democratic and Catholic parties of the Centre*, both center-right (Gerschenkron, 1943) [33]. Workers and entrepreneurs in the high-tech industry closer together sociopolitically. Strengthening the exporting position of German corporations in international competition required skilled labor.

In the *November Revolution*, opened in 1918, the *Zentralarbeitsgemeinschaft* was instituted, an agreement by which workers and employers formalized wage bargains. The labor unions conquered the eight-hour working day (Feuchtwanger, 1993) [34]. The old partners in the *iron and rye coalition* lost importance in this new arrangement of political economy, which was neither protectionist nor nationalist nor hostile to the moderate left. But the parliamentary majority of the *Weimar Coalition* lasted a short time, constrained by the financial and hyperinflationary crisis of the 1920s and by the ungovernability of the republic. Then the far right rose. One of his main bases of support was the *junkers*, whose economic and political power, apparently weakened at the beginning of the new regime, remained, in fact, almost intact, due to the failure to carry out agrarian reform.

In 1931, a serious banking crisis caused the country to regress from recession to the *Great Depression*, which lasted until 1933 [35]. In the November 1932 elections, the *Nazis* became the largest party in the *Reichstag*, but with only 33% of the vote. Socialists and Communists accounted for 37%. However, despite virtually having a majority in parliament, the left was divided. The *Communist International*, already Stalinized, prioritized opposition to the SPD, not anti-Nazism. After the elections, 19 leaders of industry, finance and agriculture petitioned President Paul von Hinderburg, of *junker* origin, to demand Hitler's nomination as chancellor, which took place two months later.

Mobilizing the direct support of the masses in the economic depression, the Führer deconstructed the *Weimar Coalition*. He put together a fascist coalition of the bourgeoisie's class fractions, willing to destroy the organizations of the left: the SPD, the communist party and the trade unions. The depression strengthened the relative weight of heavy industry in business associations. With the loss of foreign market by the export industry of finished goods, the preferences changed, the industrialists of the main sectors unified and realigned themselves to the farmers. A united front of the urban and rural business community was formed, contrary to the social commitment and the workers' organizations, which supported the policy of intense stimulus to the demand, to which, until then, the SPD was staunchly refractory, for not seeing an alternative to the orthodoxy neoclassical. Initially, the Nazi government implemented an intuitive Keynesianism, with deficit government spending, destined for public works. Then, economic stimuli leveraged militarism, due to expansionist purposes. Hitler’s program was fascist, interventionist, nationalist and imperialist, unfolding in World War II. The *Third Reich* offered businessmen massive public spending, war and infrastructure works, wage control and repression of organized workers. But comparatively, it achieved the greatest international reduction in unemployment and did not significantly alter the social security inherited from Bismarck [36].

Obviously, the wave of the *Great Depression* also flooded Brazil, causing a profound economic and political impact. It influenced the context of the *1930 Revolution*, a coup d'état against the *Oligarchic Republic*, led by dissident oligarchies and supported by urban social actors – workers and middle classes [37] –, which ended the hegemony of the coffee bourgeoisie. Skidmore (1975, pp. 27-31) [38] identifies two groups in the *revolutionary coalition*: the *revolutionaries* – liberal constitutionalists, backed by the middle class and the São Paulo Democratic

Party, and the semi-authoritarian nationalists (tenentes); and the *non-revolutionaries* – superior military, coffee growers dissatisfied with the crisis response policies implemented by Washington Luís and the dissident political elite.

When coffee exports and prices fell, international reserves declined, revealing the structural constraint on foreign currency, the overcoming of which depended on economic modernization. The modernizing agent was a State that transformed itself, acquiring a national and developmental character, which imposed corporatism and, dictatorially, between 1937 and 1945, abolished federalism. The urban actors and interests of workers and middle classes were strengthened. Nationalist values emerged. Industrialization changed the productive matrix, the internal market developed, liberal, rural and agro-export exclusivism was overcome. In short, the archaic and the modern were rearticulated. In the new pattern of accumulation, the domestic sector, which was underdeveloped in the agro-export model, both conservatively modernized the economic relations and maintained an archaic sector, instrumentalizing it to its advantage (Oliveira, 1972) [39].

In general terms, the post-war period opened the *second democratic wave* (Huntington, 1991) [40]. Mainly in Europe – but also in the USA, which emerged from the war strengthened –, Keynesianism and democracy combined, under different national modalities, configuring a more successful phase of developed capitalism, which equated growth, full employment, control of inflation, welfare policies, falling inequality, and political regimes that expanded freedoms and citizenship [40]. The economic and public policy ideas of this marriage were called *Keynesian consensus* and its unfolding in the relations between capital and labor became known as *historical or class compromise* [41,42].

In the US, post-war reformism was weaker, held back by the conservative opposition. However, a political arrangement between *moderate Democrats and Republicans* prevented the setbacks desired by right-wing political forces from advancing beyond a certain limit, such as in the workers' union rights. In the structural context of the joint reconfiguration of the State and the economy, brought about during the Great Depression and politically leveraged by the *New Deal Coalition*, Lindon Johnson implemented, in 1964–1965, the *Great Society* programs, with social and anti-racial policies, although the strong presence of the middle class in the coalition implied a liberal welfare state [43].

Among the three countries analyzed, the *post-war historical compromise* was most clearly expressed in the German *social market economy* (hereinafter SME), combining, through the leadership of the Christian Democracy (CDU/CSU), liberalism, generous social policies, regulation of the work, and participation of workers in company management. Mainly since 1966, when Willy Brandt (SPD) became vice-chancellor, Keynesianism entered the scene [44-46]. A reformist coalition, Weimar-like, between the export industry of cutting-edge products and its workers leveraged this *German model of capitalism*. The disappearance of the junkers in the war, the resumption of union organization and the priority given to the international market, in the context of German and European reconstruction, encouraged the abandonment of the protectionist alliance [47]. Since the division of the country into two separate states, in 1949, a stable democracy has emerged in West Germany, driven by actors and factors such as the Allied occupation forces, the new Constitution, the reconfiguration of the balance of forces and the party reform. The center-right *Christian Democracy* and the center-left SPD became the two main parties, ideologically positioned around the center. In 1952, the *Federal Constitutional* Court banned the *Communist Party of Germany*, founded in 1918. It was alleged that it pursued anti-democratic ends. But with the reunification of Germany in 1990, an eponymous political party emerged in Berlin, claiming its legacy. There is also *DIE LINKE*, rooted in the former *East German Communist Party*.

In Brazil, after the end of the war, there was a change of regime. The Army overthrew the dictatorship of Getúlio Vargas, supported by liberals and democrats. New elections and the 1946 Constitution inaugurated populist

democracy, which, anchored in a developmental alliance [48] – with a moderate nationalist tenor, coexisting with foreign capital in domestic markets –, incorporated the urban masses to the industrialization process. In the parliamentary parties, this social alliance was represented by the PSB-PTB coalition.

2.3. Stagflation Crisis (1973-1982)

The *stagflation crisis* led to the end of post-war capitalism and occurred simultaneously with the onset of the third democratic wave in 1974. It manifested itself in two international recessions, in 1973-1975 and 1980-1983, both linked to oil shocks. The first of them, which quadrupled barrel prices, was the main cause of the surprising coexistence of unemployment, high inflation, and growth crisis, that is, stagflation, a recession that, in the US, lasted 16 months. [v]

Two years earlier, in 1971, the *Nixon shock* had occurred, a response to speculation against the dollar, unemployment and inflation. President Nixon unilaterally broke with the international convertibility established in *Bretton Woods*, which marked a structural change, which induced the floating exchange rate regime, standardized in neoliberal capitalism. [vi] The end of the gold-dollar standard was a victory for private banks over governments in terms of control of the international financial system, which became market-oriented. The breakdown in the world economy was aggravated by the oil embargo by OPEC, during the Yom Kippur war. The Dow Jones index of the *New York Stock Exchange* fell 50% from its peak in late 1972 to its trough in 1974, making it the biggest crash since the Great Depression. Furthermore, in 1979, the *Iranian Revolution* caused another oil shock, which resulted in the price of a barrel doubling. Combined with the monetary shock of the *Federal Reserve* (FED, Central Bank of the USA), aiming to fight inflation, the impact of this second black gold crisis was worse than the previous one, triggering, between 1980 and 1983, the greatest international recession of the post-war [49-51]. [vii]

Thus, in developed countries, the economic and political conditions supporting the *Golden Age* deteriorated, whose political economy expressed two balances, one between capital and labor, the other between the powers of the international system, the USA and the USSR, which determined the bipolarity of the *Cold War*.

The stagflation crisis widened the divergences of economists and political actors on how to overcome a recession. It gave rise, through economic-structural and electoral processes, to neoliberalism, an international conservative wave, an ideology whose policies, by abandoning the fixed exchange rate system, the prospect of full employment and capital controls, deconstructed the foundations of the world economy that lasted for three decades [52]. Due to structural changes – the internationalization of manufacturing, increased competition among corporations in the global market, and the intense growth of finance – oligopolies in various sectors of activity embraced this new ideology, which was directed against labor, unions, and the State, that is, against wages, taxes, social policies, and market regulation, in order to reduce costs, restore profit rates, and increase the gains of shareholders and managers. This political economy operates a trend of coalition of capital in general opposed to work and to the social, regulatory, and entrepreneurial roles of the State [53]. It leveraged a structural change in the accumulation regime, towards a finance-driven capitalism, modeled on the *Washington Consensus* policies, based on the theory of deregulated markets [54,55], which have become hegemonic since the fall of the Berlin Wall in 1989 [56].

In the economy, neoliberalism has generated greater instability, lower growth rates and an increase in both the financial sector's share of GDP and inequality. In politics, government decisions tend to reproduce standardized policies, rooted in orthodox economics, even when the ruling party is on the left; conservative politicians, financial investors and business corporations demand the moderation of democratic rights, in order not to undermine market discipline, due to its costs [57]. [viii]

In the US, the crushing electoral victory of the Republican Ronald Reagan over the Democrat Jimmy Carter in 1980 opened the doors of the State to that conservative economic and social ideology of the *new right*, the

neoliberalism, which, in 1979, had firmly entered the United Kingdom at the hands of the Iron Lady, Margaret Thatcher. [ix] Policies rooted in neoclassical orthodoxy resurfaced with *reagonomics*: tax cuts for the rich, cuts in social spending, deregulation of markets, and intolerance of strikes and unions [58]. [x] This comprehensive ideological change shaped the *Sixth Party System*, which succeeded the *New Deal Coalition*, marked by the rise of conservatives in the PR and moderate liberals in the PD, displacing the more progressive ones [59]. Reagan also won re-election and served until 1989.

Thatcher, in the UK, and Reagan, in the US, induced a change in the correlation of forces between capital and labor in their countries, in favor of employers. Given their importance in the international economy, the impact went beyond Anglo-Saxon borders. Both restricted the right to strike and the unions' prerogative to ensure that companies hired only unionized workers. Monetarism, market deregulation and privatization were also pro-capital measures. Despite neoliberal policies not overcoming intercompany conflicts of interest, they consolidated a structural environment that reinforces, on the one hand, the *market-oriented* decision-making commitment of the State, in the sense of eliminating costs and regulations, and, on the other, the conformation of the ideological unity of capital against labor, in all economic sectors, making it difficult to form political coalitions with national developmentalist and/or social-democratic projects. The major countries in Asia are exceptions.

The political impacts of the end of the *Bretton Woods* system and the stagflation crisis were stronger in the US than in Germany, where the SME, with its structural compromise between capital and labor, tempered neoliberalism. Furthermore, ideologically, the two main German parties' orbit in the political center [60]. In party politics, the main development of the crisis was the rupture of the social-liberal coalition between the SPD and the Free Democratic Party (FDP), established in 1969, in Willy Brandt's cabinet, and maintained, since 1974, in the three governments of his co-religionist Helmut Schmidt. In the 1982 elections, the FPD allied itself with the CDU/CSU, led by Helmut Khol, who, closer to neoclassical orthodoxy, governed for 16 years, until 1998, half under the reunified Germany. The social-liberal coalition was broken by the FDP's disagreements with the increase in the public deficit and because it shared the industry's opposition to labor costs, which, with the increase in external competition, would be harming exports. So, at first, Germany adjusted to neoliberalism sparingly. Among other factors, the national purpose of exporting cutting-edge products, hiring qualified labor, and the correlation of forces between capital and labor, institutionally established, among others, in *codetermination*, promoted a process of *path dependence*. *Supply-side economics* and *market-oriented reforms* did not dismantle the *social market economy*, unions, and the welfare state, even after reunification. But the effect of redistributive policies for the unemployed, especially immigrants and less qualified, has reduced. Since then, the share of the richest 10% in national income has increased, while that of the bottom 50% has decreased [61,62]. However, this adjustment occurred without democratic discontinuity.

But it is worth mentioning that, at the beginning of this century, facing economic stagnation, unemployment, and fiscal weakening, the then chancellor Gerhard Schröder, supported by the SPD/Green coalition, implemented the reforms of Agenda 2010, which advanced in the liberalization of the SME, making labor and capital markets more flexible and restricting social security. The bank-company relationship underwent changes: more space was opened for global investments. This liberalization generated conflicts in the SPD. There is controversy over how much remains of the SME. As for the indicators, the measures improved exports, growth, and employment, but investment, productivity, and wage share in income fell and inequality increased.

In Brazil, the stagflation crisis implied economic and political changes in the military government's strategy and in the fate of the regime. In a short time, the interventionism of the then existing developmental State and the authoritarianism in which it had been based since 1964 were put into question. The first oil shock ended the *economic miracle*, the financing of which depended heavily on foreign debt, facilitated by the abundance of credit in the international market. Until then, the positive trade balance controlled the external deficit. The country imported oil

and production goods and directed them, above all, to the durable consumer goods industry, led by the automotive sector. The oil crisis resulted again in the structural problem of external strangulation, that is, import capacity. Taking office in 1974, President Geisel ruled out a recessive adjustment. He reformulated developmentalism, through the II National Development Plan (PND), aiming to overcome bottlenecks in the supply of basic inputs and production goods. But investment financing continued to depend on external debt. According to some economists, the plan contributed to leverage, at the turn of the decade, a leap in exports [63,64]. Controversies aside regarding the II PND, from 1977 onwards, the business community reacted against nationalization and authoritarianism, which strained the political support of industrialization by the triple alliance between state, foreign and national capital [65].

At the end of 1970´s, the second oil crisis and the *Volcker shock* worsened the situation, forming a double international price shock (energy and dollar-denominated debts), which disrupted the State's external accounts. Fearing that foreign banks would stop rolling over foreign debt, the government carried out an orthodox and recessive *external adjustment*. The peak of the crisis occurred in 1982, with the Mexican moratorium, when the IMF increased the requirements to rescue indebted Latin American countries. The orthodox response to the debt crisis ended the growth cycle of the 1970s and disrupted the triple alliance. This economic process was linked to the democratic transition negotiated between the military and the opposition, which ended authoritarianism and left open the challenge of resuming development, but with democracy and social justice [66].

2.4. Great Recession and Developments (2007-2013)

The international financial crisis of 2007-2008 broke out in the USA. It immediately collapsed the Icelandic banking system. Since 2009, its epicenter shifted to the Eurozone, causing economic and political effects until 2013. Then, a third problem was unleashed: the structural slowdown of emerging economies, driven by countries that had been more resilient in the early years [67]. This succession of crises impacted democracy, institutionally and ideologically, especially, for this work, in the USA and Brazil and, to a lesser extent, in Germany.

Shortly after it broke out in the US, this crisis was called the *Great Recession* and seen as the most severe since the *Great Depression*. Many perceive it as a crisis of neoliberal capitalism [68,69]. In the US, the recession lasted until June 2009. The peak came with the bursting of the speculative bubble in September 2008, in the poorly regulated real estate market of *subprime mortgages* for high-risk clients, which led to the bankruptcy of *Lehman Brothers*, then the fourth largest investment bank in the country and intensely involved in that market. The US financial system collapsed [70,71]. Given the international and concentrated nature of finance, the crisis quickly spread to other regions and countries, causing a sharp drop in world economic growth. Between mid-2008 and February 2009, ten European countries rescued more than twenty banks.

The bubble burst in the George Bush government, during the presidential election campaign, won by *Democrat* Barack Obama. Bush carried out the first measures to face the financial crisis, acquiring *Fannie Mae* and *Freddie Mac*, decreeing the bankruptcy of *Lehman Brothers*, and nationalizing the *American International Group* (AIG), the largest insurance company in the world, whose control was taken over by the *Fed.*

In October, Congress approved, backed by the two presidential candidacies and most of parliamentarians from their respective parties, the *Emergency Economic Stabilization Act of 2008*, which instituted the *Troubled Assets Relief Program (TARP)*, a set of programs worth US$ 700 billion. Among other measures, TARP authorized the purchase of toxic assets, mainly from the secondary mortgage market, partially absorbing losses, and injected capital into financial institutions, buying shares in eight large banks and insurance companies, including AIG, to avoid the domino effect that its bankruptcy would cause [72]. [xi]

Between September 2007 and December 2008, aiming to stimulate economic activity by offering credit, the Fed reduced the interest rate on federal securities to almost zero. But, as the economy did not react, it resorted to an

unconventional policy, the *quantitative easing*: instead of focusing only on the sale of bonds at very low interest rates, Fed stimulated aggregate demand, buying, on a large scale, long term in the hands of financial institutions. This policy lasted until October 2014, and the liquidity injection reached US$ 4.48 trillion [73]. [xii]

Obama took office in January 2009, with a majority in both parliamentary houses, which he managed to keep only until the beginning of 2011. Immediately, he approved in the lower house, without any support from the PR, and with only three votes from the opposition in the Senate, the *American Recovery and Reinvestment Act (ARRA)*, a broad and unprecedented economic recovery plan, via fiscal stimulus, budgeted at US$ 787 billion. [xiii] The main objective was to combat unemployment, whose rate, in December 2007, was 4.9%, but, with the crisis, it rose to 7.2% a year later, on the eve of his inauguration. In December 2016, at the end of his second term, it had fallen to 4.7%, a level lower than in 2007. [xiv] However, the 12 million jobs generated, and low unemployment did not cause an increase in wage income, as part-time and/or low-paid employees have increased.

ARRA stirred up the Republican opposition, advocating the reduction of the tax burden, public spending, and public debt. There is a synergy between the deepening divergence over fiscal policy, tensions in democracy and coalitions between parties, pressure groups and segments of the electorate. The rejection of Keynesianism is inherent to neoliberalism, but the radicalization of this ideology has fueled extreme opposition, which even rules out a limited countercyclical fiscal policy. In this context, between 2009 and 2010, the austerity paradigm emerged, vehemently contrary to the Keynesian moment of Obama, the president who ended up giving in, since mid-2010, to the policy of budget cuts to reduce the public deficit. [xv] Thus, in 2011, the *Budget Control Act* was approved, which ended the disputed debate on the public debt ceiling, whose expansion, supposedly, would be blocking growth. Negotiated between the opposition and the government, the law intensified disagreements between the Democratic and Republican parties and within them. [xvi]

Acquiring a home was central to the American Dream, built on the belief that freedom guarantees the opportunity to thrive and be successful. Taking advantage of this dream, the real estate lobby, since the post-war period, managed to make the State not privilege popular housing – restricting it only to the very poor –, but the private sector interest in the long-term mortgage market. The government offered lenders guarantees against losses, while borrowers received subsidies. This supposedly free market led to the private sector's conquest of what remained of the popular housing policy. With the emergence and development of neoliberalism, financial deregulation, supported by both Republicans and Democrats, removed borrowers' protection against bank exploitation. In the end, the government subsidy basically benefited the onerous dream of middle-class and wealthy borrowers. When the *Great Recession* was triggered by the bursting of the financial bubble in the subprime mortgage market, more than 10 million mortgages were foreclosed. However, even Obama's timid measures to defend borrowers, through the *Home Affordable Modification Program*, which did not prevent millions from losing their homes, received harsh criticism from Republicans, given the immense resistance of neoliberal radicalism against any outcome other than the execution of the defaulters. Relief to some caused resentment in others. There is evidence that the unsaved and resentful supported Trump in 2016 [74-76].

In 2010, Obama implemented two health care programs: the *Affordable Care Act (ACA)* popularized as *Obamacare*, and the *Health Care and Education Reconciliation Act*. The second was an amendment to the first, to circumvent unanimous Republican opposition to the changes, but also a minority of Democrats. Health care reform was one of Obama's top election commitments. It aimed to make health insurance cheaper and more accessible by expanding its coverage. In 2009, 49 million residents did not have health insurance. With the new legislation, another 20 million had access. The deficit dropped to 29 million in 2015 [77]. However, states with Republican governors resisted expanding their health programs and joining Obamacare, limiting the achievement of the ACA's goal of reducing inequality in health care [78]. [xvii]

Also in 2010, the Executive approved the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, aiming to rebuild financial supervision and regulation of firms and markets, protect consumers and investors against abuse, provide tools for the government to manage financial crises and, on the international level, raise regulatory standards and improve cooperation. Critics believe that, although well-intentioned, the measures provided timid advances, as they did not address the moral hazard problem of too big to fail banks, that is, the rescue of banks that risked too much; moreover, in 2014, government sources claimed that the decisions were being frustrated by reactions from the *Republicans*, making their implementation difficult [79]. [xviii]

In the 2010 congressional elections, the *Democrats* lost their majority in the House of Representatives and reduced it in the Senate, a result repeated in 2012, in Obama's re-election. In the 2014 elections, the *Republicans* maintained their majority in the lower house and strengthened their position in the Senate. These *Democratic* election defeats weakened Obama's legislative agenda.

By displaying clear trends of change, the 2016 presidential election demarcated US politics. In addition to the choice of Donald Trump as the party's candidate, until then an outsider in the PR, there was the significant presence, in the *Democratic* primaries, of another surprising name, Bernie Sanders, a politician of the socialist left. He lost the nomination to Hillary Clinton, backed by the party *establishment*, but in a close and relatively even race. These two facts expressed processes of change in the two main parties and in the electorate. Trump won the Electoral College by 304 votes to Clinton's 227. The *Republicans* came out of the polls largely victorious, especially the Trumpists, who became their dominant faction.

Early in the Trump administration, PR passed Congress the *Tax Cuts and Jobs Act*, a huge and important overhaul of the federal tax code that cut $1.5 trillion from expected tax revenue, mostly favoring corporations and the wealthy. For most citizens the reductions were moderate. Because it was a tax-waived fiscal stimulus, Republicans supported it. [xix] In 2017, Trump tried to pass the *American Health Care Act*, which aimed to deflate Obamacare, but the measure only passed the House, not the Senate. Furthermore, in 2018, in the wake of Dodd–Frank, the Republicans approved the *Economic Growth, Regulatory Relief and Consumer Protection Act*, softening the demands of Obama's financial reform.

The neoliberal coalition's opposition to interventionist policies, even the shyest ones, in the fiscal, financial, redistributive and social areas, has evolved towards deepening the traditional political polarization in the US, mainly due to the strengthening of the extreme right in the PR. Until 1977, political polarization among *Republicans* was low, but since then it has followed an upward trajectory, which has undermined democracy and the fight against inequality, a problem with which it correlates [80].

Writing shortly after Trump's election, Nancy Fraser [81,82] identified, based on distribution and recognition variables, three types of neoliberalism in the US: progressive, reactionary, and hyper-reactionary. Progressive neoliberalism emerged and evolved in the Bill Clinton era and was hegemonic until Trump dethroned it. Indeed, calling the Democrats' neoliberalism progressive is almost an oxymoron, as its political economy is socially regressive; its pro-market policies press against the democratic principle of equality, by opposing the State's counterweight to market injustices and restricting fiscal resources for public policies to promote equal opportunities. Finally, Clinton formulated and defended the ideals of the *New Democrats*, a cousin of Tony Blair's *New Labour*. The new-democratic coalition brought together service sectors with high symbolic and cognitive power – Wall Street, Silicon Valley, and Hollywood – businessmen, suburban middle class, new social movements (feminism, anti-racism, multiculturalism, identity and sexual rights, youth). It was distinct from the *New Deal Coalition*, which brought together union members, African Americans, the urban middle classes, and some segments of big industrial capital. The ideology of progressive neoliberalism wanted to equate financialization and emancipation, *Wall Street* and

diversity agendas, multiculturalism, and feminism. It incorporated a meritocratic concept of combating inequality. Given the political legacy of *rights* arising from the *New Deal*, this alliance guaranteed neoliberal hegemony.

Reactionary neoliberalism, represented by Reagan and the two Bush (father and son), was anchored in finance and in the war and extractive energy industries and aimed at the richest 1%. It brought together large corporations (banks, financial speculators, real estate, and energy companies) and conservative groups (evangelicals, whites [southerners and workers] and country dwellers). The divergence with the progressives was not in the distribution, but in the demand for recognition, in relation to which they adopted a standard of *traditionalist conservatism*, so to speak, which Trump's hyper-reactionary neoliberalism will replace with an expanded, antagonistic, and explicitly authoritarian conservatism. In addition to affirming national ethnicity, economic nationalism, *America First* unilateralism, anti-immigration and the Christian religion, Trump raised opposing flags to those of neoliberal progressivism: racism, misogyny, homophobia, xenophobia, and islamophobia. [xx] In the economy, it innovated by adopting protectionism, especially in the tariff war with China. [xxi] Among the political-ideological novelties of Trumpist neoliberalism, nationalism and the neo-fascist tendency stand out, absent in the *reactionary* versions, from the Republicans, and *progressive*, from the Democrats.

Nationalist-neoliberalism exhibited strong anti-globalization rhetoric, asserted white supremacy, and defended a xenophobic conception of national sovereignty: the country's territory is only for Americans. In economic policy, despite some protectionism, nationalism was moderated by neoliberal ideas of market deregulation. There was also a reduction in spending on social programs for the poorest, while the rich gained tax cuts. [xxii] By reducing the decision-making margin of the democratic rights policy and leveraging its leadership with an autocratic and mobilizing discourse, opposing friends to enemies (immigrants and the left), this new neoliberalism is not only anti-democratic, but also has neo-fascist tendencies.

Fraser and others assess that deindustrialization and the deterioration of living conditions for workers and the middle class are closely related to Trump's victory, which would mean not only a revolt against global finance, but also against progressive neoliberalism, whose economic policy was plutocratic, weakened the unions, made work precarious, while its distributive policy proved to be derisory. The income of the poorest half fell from 19% in 1980, at the neoliberal turn, to 13% in 2021, but that of the richest 10% rose from 34% to 45% [83]. Adherence to Trump's hyper-reactionary neoliberalism was the escape valve for the nearly 63 million voters who voted for his program, dissatisfied with the lack of an alternative. With Bernie Sanders' progressive populist route defeated, the Democrats offered the electorate more of the same, that is, Hillary Clinton.

For Fraser, the victory of the hitherto outsider in PR, Trump, evokes, at first, a political crisis in the US. But as its symptoms also appear in several other European and Latin American countries, it would be a global political crisis. However, it apprehends the political crisis as an expression, in the political sphere, of a broader, multidimensional crisis – also economic, social, environmental –, a general, global crisis, a crisis of hegemony. Trump's rise would represent a political offensive to fill this hegemonic gap, a structural fracture.

In Germany, Europe's main industrial and export power, the crisis arrived during the *Grand Coalition* government between the CDU/CSU and SPD parties, headed by Chancellor Angela Merkel. [xxiii] In 2007, the country's GDP was 3%; in 2008, it slowed down to 1%. In 2009, it dropped a lot, to -5.7%, a worse result than the -4.3% in Europe. This dismal performance was mainly due to the collapse of international trade. But the country recovered well in 2010 (4.2%) and 2011 (3.9%). Afterwards, its growth slowed down again, having been only 0.4% in the 2012-2013 biennium, amid the debt crisis in Europe. [xxiv]

Despite the sharp drop in GDP at the dawn of the recession, there was little unemployment, indeed it fell steadily between 2009 and 2014. This fact was one of the main achievements of Merkel's first two cabinets. [xxv] This positive performance is explained by insufficient hiring in the pre-crisis expansion, wage moderation and the widespread

adoption, in the recession, of the flexible working hours policy, which makes it possible to reduce them, with proportional reductions in wages and social security [84]. Finally, this performance is related to the policies of the SME and the reforms of Agenda 2010 [85].

The first signs of transmission of the crisis appeared in July 2007, when the *IKB Deutsche Industriebank*, exposed to subprime mortgages, announced a massive drop in profits, indicating the need for rescue, with an injection of capital, in order not to go bankrupt. The rescue came soon, through a fund of €3.5 billion, put together by the public bank KfW and private banks [86]. [xxvi] In February 2008, the IKB obtained another large rescue package, worth €1.5 billion, two thirds of which came from the federal government, which also granted, in August, a last bailout of €1.05 billion. Finally, the American investor Lone Star bought IKB. [xxvii] In October 2008, the *Bundestag* approved, in an unusually quick vote and with the support of 82.6% of voters, a shocking €500 billion financial system rescue package to restore confidence and stabilize it. [xxviii] But it should be noted that, as in the US and other countries, Merkel, in 2010, implemented an austerity plan to control the public deficit. [xxix]

As for political competition and alliances in the Great Recession, the *center bloc* and the *far-right bloc* strengthened. In the 2009 elections, Merkel secured a parliamentary majority without the SPD, with the *center-right coalition* between the CDU and its old ally, the FDP. This cabinet faced the European debt crisis, an offshoot of the Great Recession. Merkel formed the leadership of the agreement that established the *European Stability Mechanism*, a fund that, through fiscal austerity targets, granted loans to Eurozone Member States in difficulty. This external action by the Chancellor stimulated the organization of the Eurosceptic German opposition. A second *Grand Coalition* was formed following the results of the 2013 elections, but this time between CDU/CSU and SPD, as the FDP did not overcome the barrier of 5% of votes to have a seat in the Bundestag. In 2015, this new centrist cabinet faced the humanitarian crisis of European migration. Merkel surprised: she liberalized legal restrictions to open borders to immigrants and refugees. The third and fourth Grand Coalitions of the Merkel era resulted, respectively, from the 2017 and 2021 elections, which consolidated the CDU/SPD centrism as a guarantor of democratic governance, thus keeping under relative control another change, the strengthening of the extreme- right. In 2013, the neo-Nazi Alternative for Germany (AfD) party was created. In the elections at that time, he almost overcame the vote barrier, with 4.7% of the vote, a feat he managed to achieve in 2017, when he was voted by 12.6% of voters, becoming the third largest party in the Bundestag [87]. [xxx] In 2014, it received 7.1% of the national vote in the elections for the European Parliament, electing seven members, including with the support of the extremist movement Patriotic Europeans against the Islamization of the West (PEGIDA), which emerged then. Its ideology is Eurosceptic, nationalist, anti-immigrant and anti-Islamic [88].

Even in Europe's largest economy, income inequality grew in the two related crises. In 2005, 2010, 2015 and 2018, after-tax national income in the hands of the richest 10% was, respectively, 25.1%, 28.5%, 30.3% and 29.6%, while in the bottom 50% these results were 26.9%, 26.6%, 25.3% and 25.8%. [xxxi] According to the OECD, between 1995 and 2018, the percentage of Germans in the middle class fell from 70% to 64%. The satisfaction of this social segment is important for both strengthening and weakening democracy [89]. [xxxii] However, despite greater inequality and the resurgence of the extreme right, international agencies that measure the quality of democracy include Germany, from 2006 until today, in 13th or 14th position in the select group of about 20-25 countries qualified as *full democracies*. It is not my purpose here to question the assumptions and methodology of this assessment. [xxxiii]

Finally, the *Great Recession* and the *European debt crisis* impacted Brazilian politics, which was also influenced by another process in the international market, the *end of the commodities boom*. Such external events are not exclusive causes of the country's direction since then, as their impacts interacted with internal economic and political factors. Furthermore, the external influence was not only economic, but also political, highlighting the extreme autocratization observed in Trumpism and its European and Latin American expressions. The interaction of

international and national variables resulted in the end of the cycle of four consecutive federal governments of the Workers' Party (PT), through a controversial presidential deposition, supported by a broad ultra-liberal coalition, led, initially, by the right and, soon after, by the far-right. It was a conflictual process, which implied growing autocratization, due to the emergence of a political movement and leadership with a neo-fascist profile, therefore, with mass support, inspired by Trumpism and articulated to it. [xxxiv]

Upon assuming the Presidency of the Republic in 2003, Luiz Inácio Lula da Silva proposed to implement a program and a social-developmentalist coalition (CSD) between capital and labor. The ruling party coalition was heterogeneous, ranging from the moderate left to the traditional right. From 2006, with Guido Mantega taking office at the Ministry of Finance, economic policy began to change [90]. Over time, tensions between social-developmentalist and neoliberal tendencies inside and outside the government increased and dismantled the initially observed peaceful coexistence. Political competition followed and soon after, conflict, especially since 2013, already under the government of Dilma Rousseff.

Faced with the *Great Recession*, Lula adopted general and specific measures to stimulate the economy and maintain investments. [xxxv] The general measures were, above all, in the fiscal, monetary, credit and exchange areas and configured a relaxation of the macroeconomic tripod, aiming to reconcile stability and growth, by stimulating demand [91]. The specific ones focused on the most affected sectors, such as civil construction, the automotive industry, agriculture, and retail sales, which were contemplated, for example, with a reduction in import tariffs and taxes [92]. In the fiscal area, after a record primary result in 2008 of 4.07% of GDP, the National Congress reduced the target from 3.8% in 2009 to 2.5%. Petrobras was authorized to increase its investments. [xxxvi] In the monetary area, the government stimulated the credit policy, including expanding the power of the Central Bank to buy credit portfolios from banks in difficulty, due to the crisis, as did the other countries investigated here. [xxxvii] In the exchange area, volatility in the price of the dollar was combated. Although growth in 2009 was negative, there was an excellent recovery in 2010. The GDP variation in the period was as follows: 5.2% in 2008, -0.2% in 2009 and 7.5% in 2010. Considering six targets – full employment, income distribution, growth, price stability and fiscal and current account balances, Lula's performance in the international crisis was good in the first three and in the fifth, fair in the fourth and bad in the sixth. He left his second term with a record approval rating of 87% and elected his successor, Dilma Rousseff. [xxxviii]

In Rousseff's governments, political tensions increased due to several factors, from two negative impacts of the international economy – the debt crisis in Europe and the end of the commodities boom – to internal causes: market opposition to economic policy, party competition in 2014 elections and the corruption scandal stemming from *Operation Lava Jato* (*Car Wash*). Over time, under the Rousseff governments, the conciliation tendencies, observed in Lula's administrations, between the social-developmentalist and neoliberal political forces broke down, when different macroeconomic policy preferences were accommodated and made more flexible, within the discipline of the market, giving rise to the implementation of various social policies and new citizenship rights.

At the beginning of Rousseff's first term, in 2011, the government continued with the fiscal and monetary restrictions initiated at the end of 2010. It chose to reduce inflation and the pace of growth. In the previous two years, the stimuli to the economy caused an increase in inflation and the nominal deficit, an indicator that, in 2008, was just 1.53% of GDP, rising to 3.34% in 2009 and retreating to 2.56% in 2010. The market criticized this performance, due to the increase in the net debt of the public sector, which rose, in the period, from 38.5% of GDP to 42.1%. [xxxix] From January to July 2011, the basic interest rate, rising since mid-2010, increased from 10.75% to 12.5%. Furthermore, the new government announced a tax cut of 1.2% of GDP. However, this brake coincided with the European crisis, which at the time was weakening the world market. European governments faced it with austerity and monetary stimuli, which devalued the euro and appreciated the currencies of emerging countries with attractive interest rates,

as was the case with Brazil. For this reason, despite the restrictive measures having generated the desired slowdown, it extrapolated what was expected by the government. 2011 GDP grew by just 2.7%, below the forecast 5%.

Since August 2011, in response to the downturn in the world economy, the government has implemented measures to expand economic activity and promote growth. The adopted strategy was to change macroeconomic prices and other relative prices to stimulate private investment, especially in industry. In monetary policy, a cycle of reduction of the basic interest rate began, which, in October 2012, dropped to the lowest level, until then, of the inflation targeting regime: 7.25% per year. In 2013, real interest rates dropped to 2%. Taxes on personal credit were reduced and compulsory deposit requirements for banks were eased. This set of measures was called the *New Economic Matrix* (NME). They generated conflicts with financial institutions, which, in a short time, extrapolated the sphere of divergences on economic policy and evolved into a political veto of finances for the president, whose candidacy for re-election, in 2014, the market rejected.

Furthermore, the commodity boom ended. Although this economic fact has no direct relationship with the crises of 2008 and in Europe, the appreciation of commodities has been important in sustaining the *Pink Tide* in Latin America, a region specialized in the export of primary products and the extractive industry. The IMF's *All Commodity Price Index* grew uninterruptedly from 2003 to 2008, rising from 65.70 to 163.13; fell until 2009, in the *Great Recession*; recovered until 2011, even surpassing the level of 2008, but fell until 2014 (159.12) and plummeted to 108.28, in 2015, having continued to fall until 100 in 2016 (base year for the calculation).[xl]

In the 2014 presidential election, Rousseff, the PT and other allies faced opposition to the NME and the fall in commodity prices (which induced recession). In addition, the corruption scandal emerged, whose media impact fueled dissatisfaction with parties and democracy, discontent evidenced since the June demonstrations, in 2013, a kind of *Brazilian Arab Spring*. At first, the scandal involved Petrobras, a mixed company, and the main Latin American company. Despite everything, Rousseff was re-elected, but in a tight race against the main opposition party until then, the PSDB. Once the elections were over, the losers asked for the votes to be recounted. At that point, even with Rousseff's victory, the social-developmentalist coalition was volatile, while the *neoliberal coalition* was strengthening, unwilling to tolerate any easing in economic policy.

In 2015, as the revelations of the *Car Wash* scandal reached the public, oppositional social pressures increased, reverberating in the newly sworn Congress. Although the president of the Chamber of Deputies was part of the ruling coalition, he was elected for this role running against the PT candidate. In the following months, he broke up with the government, which, with a fragile party base and in transit to the opposition, faced a crisis of ungovernability. The shift in the new government's economic policy was important. Under great pressure, Rousseff adhered to the fiscal adjustment, while most of the Congress was opposed, along with the left, to the approval of the presidential measures. Weakened, the government lost voter support and, simultaneously, was cornered by the political opposition, which ended up finding fiscal reasons in government accounts to propose presidential impeachment. Although the reasons given for Dilma Rousseff's impeachment were highly dubious, having been carried out by previous presidents without any questioning of their legality, they were used by the opposition in the Chamber of Deputies to authorize the initiation of impeachment proceedings. The presidential impeachment occurred and was seen by many political scientists as a parliamentary coup d'état. However, almost the entire business community supported the presidential impeachment. Vice President Michel Temer took office completely breaking with social-developmentalism and implementing ultra-liberal policies. These facts altered the balance of forces, which became unfavorable for the left, even the moderate one. The rule of law and democracy have weakened, including due to the unprecedented emergence of new right-wing forces, one of them inclined towards extremism, which began to mobilize in the streets, a political space until then associated with democrats and the left. The rivalry against the PT became the center of gravity of the political struggle. After two years, in the 2018 elections, the anti-PT movement ended up being led by

the far-right federal deputy Jair Bolsonaro, who ran for president of the Republic and won most votes, in a context of change in the national party system.

Finally, it is interesting to highlight that, although, initially, the Lula government avoided the 2008 crisis, its developments in Europe challenged the first two years of Rousseff's first term, which, after unsuccessful heterodox attempts, hampered by *the end of the commodities boom* and pressured for business, he gave in to austerity at the beginning of his second term, amid the crisis of the main parties, the rearrangement of coalitions and the dispute for the command of the government. In Brazil, the return of neoliberalism was politically and economically radical, because it was based on an ultra-liberal content and because it occurred in a context of a strong dedemocratizing shift, first to the right, then to the extreme right, a political force that, once in government, strengthened autocratization, even under formal democracy.

3. Conclusion

Taking four international economic crises as independent variables, I analyzed, through the historical-comparative method, their impacts on the States of three countries, USA, Germany, and Brazil. I conceived the concept of the State as a synthesis of three components: decisions (mainly regarding economic policy and institutional rules), supporting coalitions and political regime. This State concept guided the comparison.

In the *Long Depression*, Germany and Brazil implemented authoritarian-competitive regimes, resulting, among others, from the responses (decisions) of political-institutional and social actors (coalitions) to the internal effects of this international crisis. In the US, it had an impact on the political system – but not exactly on the autocratization-democratization axis of the regime –, opening the *Fourth Party System*, characterized by the supremacy of the Republicans over the Democrats and of industry (which won tariff protection) over agriculture (exposed to the free-trade).

In the *Great Depression*, the mixed economy emerged as a paradigm, displacing orthodoxy. There was also innovation in coalitions and regimes. This crisis, which emerged in the *first reverse wave of democracy*, initiated in 1922 by Italian fascism, contextualized three decades of authoritarianism. In 1933, Nazism fascistized the German political regime (a tendency also observed in Portugal, Spain, Japan, etc.). A broad coalition of big business against proletarian organizations supported the Führer's military Keynesianism. In the Brazil of the *Revolution of 1930*, a coalition of dissident oligarchies, opposition politicians, urban middle classes and military officers overthrew the *Oligarchic Republic*. The new regime modernized the State and the economy, but through conflicts, such as the Constitutionalist Revolution of 1932 and the Communist Party insurrection of 1935, ending, in 1937, in a developmentalist dictatorship, which lasted until the end of World War II. In the US, the change strengthened democracy, supported by the *New Deal Coalition*, a Yankee version of the *post-war historic compromise*, which promoted urban and rural business interests and incorporated labor, union, and social rights.

After the war – a development of the Great Depression and economic-military imperialism – the *second democratic wave* emerged, which bathed the three investigated countries. In Germany (due to external intervention) and Brazil (due to a military coup), dictatorships fell. The German nation moved towards democratic development, supported by the *social market economy*. Brazil entered populist democracy, supported by the PSD-PTB developmental alliance, bringing together progressive and conservative politicians, industrial groups, and workers. In the US, despite the Cold War and conservatism, democratic capitalism continued, institutionally sustained, above all, by the *Democrats*.

The *Stagflation Crisis* unveiled the neoliberal turnaround, which, since 1979-1980, has been hegemonizing. In the UK, Thatcher broke with the Keynesian consensus, leading the Conservatives' radical embrace of restoring market

authority. [xli] Then, in Reagan's USA, conservatism, and polarization to the right of the Republicans were accentuated. The *sixth party system* displaced the *New Deal Coalition* and, since then, party cleavages have deepened.

In Germany, the center-right coalition CDU/CSU electorally displaced the SPD for 16 years. The *social market economy* was maintained, but income and wealth inequality between the top 10% and the bottom 50% has been increasing, a trend also observed in the US. Pressures emerged against the welfare state and against state intervention in the economy.

This strong market-oriented trend developed concurrently with the democratic third wave, configuring a contradiction between economic and political processes. Today, after forty years, instead of the free market developing democracy, a *third reverse wave* is evident [93].

In Brazil, the context of the *Stagflation Crisis* gave rise to the liberalization of the military dictatorship and to various industrializing state actions, in response to the oil shock, which were criticized by industrialists. Furthermore, the foreign debt crisis – a development of the orthodox US response to stagflation – and the recessive adjustment of the Figueiredo government disrupted the developmental-authoritarian alliance between private capital (foreign and domestic) and state capital. The conflicts and agreements that occurred in this political process placed the country in the democratic transition, which ended the dictatorship, but preserving authoritarian institutional variables. [xlii]

Finally, the *Great Recession* delimits the history of neoliberal capitalism, being the structural basis of today's debate on the *crisis of democracy* and *autocratization*. In the three countries studied, the response to it gave rise to innovation, through the resumption of moderate Keynesianism, with fiscal stimulus and monetary expansion. Despite the moderation, its adoption generated reaction. Since 2010, orthodox economists, supported by the finance community, have emphatically defended expansionist fiscal contraction, austerity, a perspective to which several governments have adhered, convinced, or pressured, such as Obama, Merkel, and Rousseff, in this case, in 2015. [xliii]

As for the political regime, the *Great Recession* and its related crisis in Europe impacted the three countries. In Brazil, the end of the commodities boom was another element of conjunctural pressure. With varying intensities, either there was autocratization (US and Brazil) or extreme right-wing political-ideological forces were strengthened (Germany). A key year was 2016: in May, the opposition removed Rousseff from office, successfully seeking her impeachment; in June, Brexit won the referendum in the UK and, in November, Trump won the presidential elections in the US, a country that, to mention one fact, the *Economist Intelligence Unit* characterizes as a *flawed democracy*, and no longer as *full democracy*. [xliv] Although this agency qualifies Germany as a *full democracy*, the extreme right has grown there. In all three countries, inequality has increased. In Brazil, measured by the Gini Index, it had been falling until 2015, when it started to grow uninterruptedly [94].

It is now time to address the hypotheses. Table 1 below summarizes the empirical results that guide their evaluation. The first assumes that *crises of capitalism reinforce the chance for regimes to change or to increase or decrease their levels of democracy or autocracy*. There are fifteen possible outcomes, as there are five crisis situations in three countries – I examined the Great Depression before and after the war, the conflict it helped to cause, in addition to uncovering the structuring of the *mixed economy*.

There was regime change in six cases, three authoritarian and three democratic: Brazil (*Long Depression*); Germany and Brazil (*Great Depression and post-war*); and in the unfolding of the *Stagflation Crisis* in Brazil. As for the processes of increase or decrease in the amount of authoritarianism or democracy in regimes, without qualitative change, *there was autocratization in three cases*: in Germany (*Long Depression*) and in the aftermath of the *Great Recession* in the US and Brazil, since 2016, respectively, with Trump, Temer and, above all, Bolsonaro. There was also a controversial case of autocratization, the US in the *Stagflation Crisis*, as some saw Reagan as an exponent of reactionary neoliberalism; like Thatcher in the UK, he took a strong stand against trade unions; at least,

I suppose that there was no democratization of democracy in their governments, a phenomenon that, however, occurred in two cases, both in this same country, in the *Great Depression* and in the *post-war period*.

Finally, there are three situations in which there were changes in some components of the political system, but not exactly in the political regime. In the *Long Depression*, the party system in the US came to the dominance of the *Republicans*. In the *Stagflation Crisis*, the German center-right overthrew the government's center-left for 16 years. In Germany, the context of the *Great Recession* gave rise to four situations of *Grand Coalition*, in addition to the one already existing in Merkel's first cabinet (2005-2009). This data is relevant because, despite the strengthening of the extreme right (*AfD*), the consolidation of *CDU-SPD* centrism has guaranteed democratic governance.

In the cases above, the *changes processed in the crises of capitalism*, impacted one of the three variables of the concept of State, the regime, the other two being coalitions and decisions on public policies, rights, and institutional rules. These three variables combine, resulting in different syntheses or *equations of the State*, all of them associated with the changing relationships of social and political actors with Leviathan in the various critical junctures of different phases of capitalism. Such data corroborates the first hypothesis. Austerity, for example, proved to be an autocratic response to the *Great Recession*, as it is anti-egalitarian. It promotes inequality both materially, by restricting the supply of material resources necessary for the minimal effectiveness of the democratic principle of political equality, and ideologically, by being accompanied by the valorization of meritocracy decoupled from equality of opportunity.

Second hypothesis: *autocratization, induced in international crises, requires a pro-business relationship between political forces, which guarantees the subordination of workers*. These general conditions occurred in the autocratization processes examined here (disregarding the Reagan administration). Below are the three of these situations that I identified.

a) In Hitler's fascism (*Great Depression*), leader who forged – mobilizing the masses, in the chaos of depression, hyperinflation and ungovernability of the *Weimar Republic*, and benefited from the division of the left – a business unification in support of *totalitarianism*.
b) In the aftermath of the *Great Recession* in the US and Brazil, countries experiencing a national crisis of democratic legitimacy, authoritarian leaders and movements emerged in 2015-2016 (Trump and the Brazilian far-right). By mobilizing the masses and attacking political actors characterized as enemies, they managed to unify the business community (or part of it) and conservatives around an ultra-liberal agenda and restricting citizenship rights.
c) In Germany during the *Long Depression*, faced with class balance, Bismarck reached an agreement and articulated a protectionist coalition between industry and agriculture, with a nationalist-military and imperialist inclination and restriction of social-democratic action; In Brazil during the *Great Depression*, Vargas, faced with the disintegration of the support alliance for the *1930 Revolution*, gained military support for the dictatorial coup of the *Estado Novo*, which resulted in *an increase in the autonomy of the State*.

The third hypothesis argues that *the actors' democratic compromise is a barrier against autocratization*. I confirm it in the following cases where the extreme right was contained: in the US, in the *Great Depression* and in the *post-war period*; in Brazil, in the *Stagflation Crisis*; and in Germany, in the *Great Recession*.

Examined interdisciplinary and in a historical-comparative way, the international economic crises allow us to understand the displacement of the regimes in the autocratization-democratization axis as national responses processed in them, circumscribed in the political economy of the changing relations between State and society, and not as exclusively political-institutional processes. Such shifts mobilize structures and actions. Without ignoring their specificities, the autocratic tendencies of Trump and Bolsonaro are rooted in the increase in inequality, in the intensification of the distributive conflict and in the emergence of far-right leaders, who, in coalition with politicians,

businessmen and conservative voters, define their enemies and address the masses, to build a *proto-fascist standard of legitimation*, an alternative to the *legitimacy crisis of democracy*, a representative regime weakened by citizens' dissatisfaction with its current balance between benefits and costs. The current autocratization emanates from the *contradictions between neoliberal capitalism, in crisis, and the democratic state*, which have challenged political parties across the entire political-ideological spectrum internationally.

Table 1. Empirical results and hypotheses evaluation.

		Hypotheses		
		H1	H2	H3
International Crisis (IC)	Country	IC tends to produce more autocratization or democratization or regime change	Autocratization depends on a pro-entrepreneurial balance of forces	Actor´s democratic compromise works against autocratization
Long Depression	US	Neutral (4th Party System)		Not applicable
	Germany	Autocracy increased (Bismarck)	Not applicable	Not applicable
	Brazil	Regime change (Oligarchic Coalition and Oligarchic Republic)	Not applicable	Not applicable
Great Depression 1	US	Democracy increased (New Deal Coalition)	Not applicable	Yes
	Germany	Regime change (Hitler, Nazi Coalition and Nazism)	Yes (1933) – Hitler	Not applicable
	Brazil	Three Regime changes (1930 Revolution; 1934 Democratic Constitution; 1937 Dictatorship)	Yes (1937) – Vargas	Yes (1934-37)
Great Depression 2	US	Democracy increased (*New Deal Coalition*)	Not applicable	Yes (e.g. *Great Society* Programs)
	Germany	Regime change (Federal Republic of Germany)	Not applicable	Yes (due to external and internal factors)
	Brazil	Regime change (Populist Democracy)	Not applicable	Yes (due to external and internal factors)
Stagflation Crisis	US	Neutral (Reagan) – Inequality increased	Not applicable	Not applicable
	Germany	Neutral (Helmut Kohl) – Inequality increased	Not applicable	Not applicable
	Brazil	Crisis of Military Dictatorship (Democratization)	Not applicable	Yes
Great Recession	US	Crisis of democracy	Yes (2016) – Trump	Not applicable
	Germany	Neutral – but the far right emerges	Not applicable	Yes (*Grand Coalition*)
	Brazil	Democracy wanes; new authoritarian actors emerge	Yes (2016) – Parliamentary coup d'état	Not applicable

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Data Availability

For any inquiries regarding the protocols used or the data, please contact the corresponding author.

Conflict of Interest

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[ii] The identification of the four crises is in Gourevitch (1986), Stiglitz (2009) and Roberts (2009). The last two call the 2007-2008 crisis the *Great Recession*. The fifth international economic crisis, the COVID-19 recession, is not part of this paper.

[iii] The State also makes judicial and administrative decisions and exercises an ideological function.

[iv] Reports on the recession are in https://www1.folha.uol.com.br/mercado/2019/09/risco-de-recessao-resgata-debate-sobre-estagnacao-secular-nos-paises-ricos.shtml, https://www1.folha.uol.com.br/mercado/2019/09/bc-europeu-corta-taxas-de-juros-e-diz-a-governos-que-ajam-para-reanimar-economia.shtml e https://aboutus.ft.com/press_release/ft-sets-the-agenda-with-new-brand-platform. Access: 10/09/2019.

[v] According to the World Bank [BIRD], the world GDP varied as follows: 1973 (6.5%), 1974 (1.9%) and 1975 (0.6%). Inflation was, respectively, 11.7%, 16.3% and 11.7%; to see https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG. Access:15/08/2020.

[vi] Until 2009, 79 countries adopted the floating exchange rate. In 2013, there were 65, cf. https://asia.nikkei.com/Business/Markets/Forex/IMF-finds-more-countries-adopting-managed-floating-exchange-rate-system#:~:text=China%20has%20adopted%20the%20managed,representing%2034%25%20of%20the%20total. Access: 10/08/2020.

[vii] See FED report at https://www.federalreservehistory.org/essays/oil-shock-of-1978-79. Access: 28/08/2020.

[viii] Report on the increase in the share of finance in GDP, between 1950 and 2010, is in https://www.wsj.com/articles/BL-REB-15342. Access: 10/08/2020.

[ix] Reporting on Reagan voters is in https://ropercenter.cornell.edu/how-groups-voted-1980. Access: 20/08/2020.

[x] Reporting on Reagan's action against the air traffic controllers' strike is in https://www.nytimes.com/2011/08/03/opinion/reagan-vs-patco-the-strike-that-busted-unions.html. Official information about *reaganomics* is at https://www.reaganlibrary.gov/reagans/reagan-administration/reagan-presidency. Access: 10/08/2020.

[xi] US Treasury Department information on TARP is at https://home.treasury.gov/data/troubled-assets-relief-program. Access: 12/06/2021.

[xii] *Quantitative easing* It is a monetary policy whereby the central bank purchases certain amounts of government bonds or other financial assets to stimulate the economy. See reports about this policy at https://www.bbc.com/news/business-29227597 and https://www.nytimes.com/2014/10/30/upshot/quantitative-easing-is-about-to-end-heres-what-it-did-in-seven-charts.html. Accesss: 12/06/2021.

[xiii] Report on the approval of the Obama plan is in https://abcnews.go.com/Politics/President44/story?id=6748037&page=1. Access: 13/06/2021.

[xiv] Official data from the U.S. Bureau of Labor Statistics are in https://www.bls.gov/opub/ted/2017/unemployment-rate-down-0-point-3-percentage-point-over-the-year-ended-december-2016.htm. Reporting on employment in the Obama administrations is in https://money.com/jobs-barack-obama-presidency/. Access: 26/12/2021.

[xv] Reports on austerity under the Obama administrations are in https://prospect.org/power/sequestering-barack-obama/ and https://prospect.org/power/sequestering-barack-obama/. Access: 27/12/2021.

[xvi] Report on the budget cut in 2011 is in https://www.nytimes.com/2011/08/03/us/politics/03spend.html. Access: 31/12/2021.

[xvii] As of November 2021, 12 states have not expanded Medicaid to join Obamacare. Reports on Obama's health policy are in https://www.verywellhealth.com/whats-the-difference-between-medicaid-obamacare-1738843 e https://www.kff.org/medicaid/issue-brief/status-of-state-medicaid-expansion-decisions-interactive-map/. Access: 01/01/2022.

[xviii] Informations from *U.S House Committe on Financial Services* sobre a reforma regulatória das finanças estão em https://financialservices.house.gov/issues/wall-street-reform-and-consumer-protection-act.htm. Access: 30/12/2021.

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