Wounded Contracts

An Economic Crisis Narrative of Contractual Relationships

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Economic crises disrupt the lives of many businesses. During periods of recession and market shutdowns, businesses, artists, and even commercial companies often alter their contractual behavior not in pursuit of greater profit, but simply to survive.

The collapse of trust, the erosion of professional reputation, and growing social anxiety are only part of the hidden crisis that emerges under such circumstances; a crisis capable of reducing the quality of services and turning high-risk commercial decisions into ordinary behavior.

At times, the parties may appear to remain loyal to their contractual obligations. Yet parallel contracts, undisclosed collaborations, and contractual concealment can gradually push a business relationship toward collapse—often before the parties themselves recognize that a crisis has begun.

Under such conditions, an important question arises:

Are contracts merely a collection of obligations and clauses, or can they become instruments for preserving trust, managing risk, and rescuing commercial relationships in times of crisis?

Can contract law anticipate human behavior under extraordinary economic pressure, or must we wait in courtrooms for the formal declaration of a contractual relationship's demise?

Divided Loyalty

The lead musician of a music group secretly enters into a contract with a rival singer.

The most immediate consequence of such an arrangement is that the musician's time, attention, and commitment become divided between two contractual relationships. Yet what drives the musician to accept a second contract is not necessarily collusion or betrayal; rather, it may simply be a struggle for survival in a shrinking market.

A similar situation can be observed within a commercial company. A managing director enters into a contract with a company in which he himself holds shares. He has not necessarily accepted a bribe; instead, he may be concerned about preserving his own economic security in the midst of a crisis.

What makes such situations dangerous, however, is not merely the existence of two contractual relationships. The real danger lies in concealment.

A shrinking market, fewer projects, and rising living costs may encourage individuals to hide their contractual relationships from those to whom they owe duties of loyalty.

In some cases, even apparent involvement in a competing contractual relationship may give rise to legal liability, despite the fact that no substantial action has yet been taken against the first contract. Under such circumstances, the individual may not only bear the burden of being perceived as disloyal, but may also face liability for damages.

This is the point at which an economic crisis gradually transforms into a crisis of trust.

When loyalty becomes divided between competing obligations, or when personal interests begin to influence contractual decisions, trust starts to erode. Professional reputation suffers, and the resulting sense of unfairness may, at times, prove even more destructive than financial loss itself.

This is not merely a contractual dispute.

It is a crisis born from economic hardship.

The question, therefore, remains:

Can a contract manage such a crisis, or is it still nothing more than a collection of pages, clauses, and legal provisions?

Before the Breaking Point

Planning the path ahead can significantly reduce the impact of a crisis. Much like a film director who writes the screenplay before filming begins, contracts should be designed not only for calm and predictable days, but also for periods of turbulence and uncertainty.

A well-drafted contract recognizes that economic pressure can alter human behavior and influence the way parties perform their contractual obligations.

This is precisely where the fundamental distinction between traditional and modern approaches to contract law begins.

Traditional contract law often enters the scene only after a crisis has already occurred, an obligation has been breached, and the contractual relationship stands on the verge of collapse. In this view, the law is primarily concerned with determining the legal consequences of a contractual breakdown.

Modern contract law, however, does not wait for the breaking point.

It seeks to address risks before obligations are breached, before trust collapses, and even before concealment begins to emerge. Its objective is not merely to resolve disputes, but to preserve contractual relationships wherever possible.

From a modern perspective, conflicting interests and competing contractual relationships are inevitable. The challenge is not to deny their existence, but to manage them.

For this reason, professionally drafted contracts serve a purpose far beyond recording the parties' agreement. They are designed as instruments of risk management and crisis prevention.

Mechanisms such as renegotiation clauses, contractual adjustment provisions, risk allocation arrangements, disclosure obligations relating to conflicting relationships, specialized arbitration, mediation procedures, and expedited dispute-resolution mechanisms are among the tools that can operate before a crisis reaches its breaking point.

Economic pressure may increase the likelihood of concealment, but modern legal frameworks attempt to move conflicts out of the shadows and into a process of transparency, dialogue, and legal management.

While many traditional contracts contain little more than a general force majeure clause—often drafted primarily with termination in mind—professional contracts are designed to preserve the relationship whenever possible.

This is because a crisis does not always make performance impossible; sometimes it merely disrupts the balance upon which the contractual relationship depends.

It is at this point that a contract ceases to be merely a document for future litigation and becomes a tool for managing crisis itself.

A Lifeboat

Perhaps the effects of crisis become most visible in artistic and cultural contracts.

In these relationships, the subject matter of the contract extends beyond money. Reputation, public image, audience trust, and even a sense of social belonging form part of the contractual relationship itself.

As a result, an economic crisis can quickly evolve into a crisis of trust.

This unique combination makes artistic and cultural contracts particularly vulnerable to disruption.

At the same time, cultural and artistic events are not merely economic activities. In times of crisis, they often become one of the few remaining channels through which a society can breathe.

Yet organizing such events during periods of instability is far from simple.

Costs may rise dramatically within a short period of time, while the traditional response—raising ticket prices—often results in lower attendance from audiences who are themselves struggling under economic pressure.

Under such circumstances, sponsors may feel compelled to pursue parallel or high-risk contractual arrangements in an effort to offset growing costs. These arrangements may generate short-term revenue, but in the long run they can undermine the credibility of the event, erode public trust, and expose organizers to significant legal and financial risks.

This is where supportive mechanisms become particularly important.

Grants, support packages, tax incentives, low-interest loans, and deferred repayment programs are among the tools many countries employ to mitigate the effects of crisis and preserve cultural activity.

The issue, however, is not limited to artistic contracts.

Commercial law has long grappled with the dangers of concealment and conflicts of interest, and has developed supervisory mechanisms to address them.

This is because legal oversight is just as important as economic support.

For example, Article 129 of the Amendment to the Iranian Commercial Code requires managing directors and board members to disclose their interests in conflicting transactions. At the same time, responsibility for monitoring such situations is entrusted to supervisory bodies within the company.

The purpose of these mechanisms is not merely punishment. Their primary objective is to prevent concealment and preserve the integrity of contractual relationships.

Nevertheless, an unfortunate reality remains: economic crises may also weaken the very institutions expected to provide support.

It is precisely at this point that the value of a professionally drafted contract becomes clear.

Such a contract is not written solely for periods of stability. It is designed with difficult days in mind and provides a roadmap long before a crisis arrives.

The Thin Line

Times of crisis reduce the number of options available to people, and with fewer options comes a diminished ability to choose.

Often, such crises are neither created by those who endure them nor within their power to bring to an end.

Yet the most difficult part of the story begins precisely here:

Even in the midst of crisis, individuals remain responsible for the choices they make.

The better prepared people and businesses are for unforeseen disruptions, the more options remain available to them when circumstances become difficult.

A sponsor who has access to renegotiation mechanisms is less likely to resort to concealed relationships.

A managing director who understands the legal process for disclosure and approval is less likely to feel trapped between survival and disloyalty.

A musician, too, may choose to redesign a contractual relationship rather than conceal it.

In all of these examples, the contract is no longer merely a document for future litigation.

It becomes a roadmap for sharing risk, managing crisis, and preserving relationships.

At the same time, every legal relationship faces its own unique challenges.

For this reason, no single contractual formula can be applied to every commercial or artistic relationship.

A contract downloaded from the internet, or reliance on someone who lacks a proper understanding of potential crises, may at times prove more dangerous than having no contract at all.

Of course, not every troubled relationship began with a professionally drafted agreement.

Even traditional contracts can sometimes be brought back to life through renegotiation, specialized arbitration, mediation, or the restructuring of contractual obligations.

Modern law seeks to find ways to repair relationships before disputes reach the point of complete collapse.

Yet an uncomfortable reality remains:

Many relationships do not fail on the day the contract is signed.

They collapse on the day a crisis arrives.

And by then, it may already be too late to save them.