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Stabilization Function of Public Finances: Implementation of Instruments in Conditions of Socio-Economic Crises

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ABSTRACT: In the years 2020–2022, there was a significant slowdown in economic processes. The instability of macroeconomic factors necessitated efforts by public finance sector institutions to limit them. There were anti-crisis and stabilization measures that were supposed to lead to a return to the path of sustainable development. The aim of the paper is to identify the scope and possibilities of using stabilization instruments within the public finance sector and limiting the negative effects of crisis phenomena. As part of stabilization activities, targeted programs have already been launched, both on the scale of individual countries and internationally in the European Union, within the International Monetary Fund, and by other public entities. The scope of activities indicates an increased involvement of public resources in the social and economic spheres. Crisis phenomena indicate the advisability of using various stabilization instruments to reduce negative trends in the economy. The thematic scope of the study refers directly to current economic changes from a global perspective and also concerns selected national problems in Poland. It covers issues related to actions taken by public authorities to stabilize the economy in the face of changes caused by the above-mentioned crisis phenomena. Research indicates that the allocation of public resources to stabilize the economy may have other consequences, such as changing the structure of public expenditure to increase current expenditure, reducing the share of investment expenditure, and increasing the risk of excessive budget deficits and public debt, which may occur in the economy in the long term.

KEYWORDS: public finances, stabilizing the economy, public debt, budget deficit

Introduction

In market conditions, a typical phenomenon is the cyclical development of the economy, characterized by changes in the economic growth rate and, in some cases, a reduction in this growth rate, and in extreme cases, an absolute decline. It is commonly believed that the cyclical model of economic development is an inherent feature of economic changes taking place in the enterprise sector and is associated with changes in employment, weakening demand on wholesale and retail markets, price changes, a reduction in the quantity and value of loans, or a decline in sales. In a situation of deep recession, it is necessary for central banks to get involved and activate stabilizing mechanisms, including those from the public finance sector (NBER 2023).

It is important to distinguish the business cycle, which usually means short-term changes in economic activity lasting no longer than a few months, from the economic recession, which may be much more serious and prolonged in time. Therefore, business cycles are a commonly observed phenomenon, and depending on the stability of the broadly understood macroeconomic environment, they may occur with varying impacts. It is difficult to clearly indicate the causes of business cycle fluctuations in a market economy because they usually always have individual causes that ultimately lead to revealing the typical course of the business cycle. A feature of the cycle is the observed significant decline in gross domestic product (GDP), enterprise and population income, and a decline in employment levels. Business cycles may have a diverse nature, and their duration may be short- or medium-term. In extreme conditions, the recession phase may lead to an absolute decline in gross domestic product, but this is not always the case. During the slow decline phase, we can only observe a decrease in the growth rate of gross domestic product as well as a slight deterioration of other indicators characterizing the situation in the economy. According to the definition of the National Bureau of Economic Research (NBER 2023), during the recession phase there may be a significant decline in economic activity, which may have an inter-sectoral dimension, and its duration may be significantly longer in relation to the course of the business cycle. Taking into account the recession phase in the business cycle, there are three main factors that determine the course of this phase. Therefore, it is necessary to indicate the depth of the changes taking place, the duration of the economic slowdown, as well as the causes and consequences of the recession.

Research has shown that in the past, we have had to deal with various factors causing economic deterioration. These include the oil shocks of the 1970s, the financial crisis of 2007–2009, the COVID-19 pandemic, the war in Ukraine, the energy crisis, the migration crisis, and the conflict in the Middle East. In the conditions of a global economy, the impact of crisis factors can easily be extended and transferred beyond the source of the conflict. In the conditions of an open world economy, we may experience not only the benefits of globalization but also the globalization of crisis phenomena, the primary sources of which may be local or regional. As a result, there were clear symptoms of recession: an increase in inflation, a slowdown and decline in the growth rate of GDP, and an increase in unemployment. The above-mentioned events Research conducted in 2022 showed that crisis phenomena caused recessions and disturbances in development processes around the world. The instability of macroeconomic factors resulted in the need to react in order to activate mechanisms limiting the effects of the recession. Many countries provided large-scale macroeconomic support to limit the economic impact, which contributed to the stabilization process in the economy and in financial markets (Jarosiński 2023, 241-55). Therefore, in times of crisis, stabilization policy should take the form of a strategy implemented by state governments and central banks, the aim of which would be to maintain the level of economic development, employment, and relatively small price changes (Jarosiński and Opałka 2021, 4136-42). Stabilization activities should therefore be understood as a set of instruments launched to limit the variability of macroeconomic factors that may have a negative impact on the economy and society.

In the short term, in order to stimulate the economy, governments should use one of the methods of increasing spending or reducing taxes, or reducing spending or raising taxes. Given the combination of events in 2020–2023, the first method of increasing expenditure and alleviating tax burdens was used more often. This provided a chance to stabilize the economy in the conditions of recession caused by crisis factors. Tightening monetary policy would be potentially harmful to the private sector because either interest rates could lead to reduced production, the liquidation of enterprises, or a reduction in employment in times of recession. Monetary policy should constitute the basis for further economic growth, leading to lower inflation, stabilizing consumption and investment, reducing the budget deficit, and, consequently, GDP growth. Public spending aimed at the short-term stabilization of enterprises, markets, and employment has become one of the instruments to influence the stabilization of the economy. The critical point of pushing public spending as part of increasing current budget spending is the risk of increasing the budget deficit and then the risk of the occurrence or increase in public debt, which could have long-term negative budget consequences.

The aim of the study was to identify the effects of recession caused by crises and to identify the possibilities and scope of application of stabilization instruments within the public finance sector in terms of limiting the negative effects of crisis phenomena. While working on the text, research methods referring to scientific empiricism were used. During the research work, a query was made of various sources available in the form of databases developed by international organizations, statistical offices, central banks, and specialized non-governmental organizations. During the study, a critical analysis of the literature on the subject was made, which constituted the theoretical foundation of the research. This allowed us to prepare the final version of the paper in the form of a synthetic approach to the collected and grouped empirical material and to draw final conclusions.

Theoretical background of the study

The most important tasks of public administration in times of crisis are to pay attention to the development of basic measures and indicators illustrating economic changes. In particular, it is necessary to monitor changes in GDP, unemployment, the situation on financial markets, and monitor changes in the general level of consumer goods prices (CPI) and indirectly study the development of inflation rates in other markets. The scope of tasks is wide enough to require the activation of macroeconomic instruments, including the use of instruments of the public finance stabilization function (World Bank 2020, 2-6), which makes it possible to finance public tasks in the short term where there are difficulties in financing current tasks. This approach is a direct reference to the three defined functions of public finance (Musgrave and Musgrave 1989, 5-13). In cases of recession, the stabilization function was included in the package of measures alongside the allocation and redistribution functions. According to this approach, public authorities have the right to use public finance instruments to adjust the allocation of resources and shape economic policy goals (Macháček 2001, 285-88).

The proposed basic functions of public finances could be extended to include a fourth rescue function (Owsiak 2021, 15-29). This function could find wider application in violent crises, deep recessions, and situations where the functioning of the economy as a whole is threatened. The rescue function would apply where we were dealing with an emergency situation, when the self-regulatory mechanisms typical for stabilizing recession in the conditions of the business cycle could no longer be applied (Begg 2012, 1-4). Already in classical economics, the justified influence of administration on certain directions of activity was pointed out in order to eliminate potential problems related to the functioning of the state, the economy, and social problems (Smith 2007, 343-489). During the Great Depression, the search for remedies turned to public spending to mitigate the effects of crisis phenomena (Carabelli and Cedrini 2014, 107-30). Attention was drawn to the need to mobilize public spending, especially when it comes to generating effective demand, in order to reduce unemployment (Hayes 2005, 35-38) and improve the economic situation (Wright 1997, 31). In the following years, there was a further development of post-Keynesian economics, where the role of government spending in stabilizing the economy not only nationally but also in a broader international context was visible, for example, in relation to public aid offered as part of plans implemented in many places around the world. After World War II, neoliberal economic theories no longer definitively gave up taking into account the role of the government and public spending in stabilizing the economy in the face of business cycles and, in particular, deepening recessions (Tanzi 2008, 1-28).

Following the principle of stable development as one of the main goals of economic policy, it should be noted that the activation of stabilization mechanisms, including the stabilization function of public finances, should not raise any doubts. The primary goal of stabilizing the economy in market conditions is to improve the allocation of resources and, in times of recession, to protect the economy and society against negative effects. The COVID-19 crisis and other crisis phenomena have clearly demonstrated that taking stabilization measures within the public finance sector has become an important factor in protecting society and the economy, in particular against increasing unemployment, inflation, and a significant decline in the standard of living.

The use of instruments for the stabilization function of public finances requires the indication of sources of financing for unforeseen expenses and budget funds. A decline in production as well as sales restrictions always lead to a deterioration of budget revenues (Barrios and Rizza 2010, 6-8), which in times of crisis phenomena additionally deteriorates the possibilities of financing from budget funds, which in turn must lead to a verification of the official capabilities of public resources to stabilize the economy in times of crisis.

Although the functions of public finance are perceived on theoretical grounds as an important instrument of influence of the government or public administration on correcting socio-economic phenomena in times of crises, the application of the mechanisms of the stabilization function and the achievement of the expected results are strictly subordinated to the specific conditions and policies implemented in individual countries or regions (Adrian et al. 2023, 3-5). Usually, it is the governments of countries that face the dilemma of using monetary and fiscal policy instruments (Sacchi and Salotti 2015, 2-6), including initiating public spending. In the conditions of the COVID-19 crisis and its consequences, the most frequently observed use of monetary policy instruments consisted of searching for additional sources of financing the government's current tasks by incurring repayable liabilities in the form of external sources of financing (Jackson 2022, 3-8; Owsiak 2021, 15).

Results of empirical research and discussion

One of the goals of public administration is to strive to stabilize the economy by using available macroeconomic mechanisms. In conditions of acute crisis phenomena, such as the COVID-19 pandemic, the scope of influence of public administration at the government and local government levels turned out to be significant (Calderon and Kubota 2021, 1-26). The symptoms of the crisis occurred suddenly and involved the need to finance current tasks that had not previously been the subject of budget planning. This meant the need to increase short-term expenditure and financing for tasks related to counteracting the effects of the COVID-19 pandemic. The increase in current expenditure was associated with the occurrence of other unfavorable phenomena, such as a reduction in investment expenditure and a reduction in planned investment expenditure in the medium-term budget planning approach (Jarosiński 2022, 1209-13). The need to undertake public intervention in the face of the economic recession was associated with an increase in current budget expenditure, which could have resulted in an increase in the budget deficit and contributed to an increase in public debt (Jarosiński 2020, 100-03, Opałka 2020, 112). Therefore, there was a forced change in the structure of current budget expenditure, which had to trigger a number of further consequences. Table 1 presents research results illustrating ratio of budget deficits or surpluses to GDP in 2017–2024.

Table 1. Budget deficit/surplus in relation to GDP in selected countries in 2017-2024 (in%)

Specification	2017	2018	2019	2020	2021	2022	2023	2024
Austria	-0.8	0.2	0.6	-8.0	-5.8	-3.2	-2.4	-1.3
Denmark	1.8	0.8	4.1	0.2	3.6	3.3	2.3	1.3
Finland	-0.7	-0.9	-0.9	-5.6	-2.8	-0.9	-2.6	-2.6
France	-3.0	-2.3	-3.1	-9.0	-6.5	-4.7	-4.7	-4.3
Germany	1.3	1.9	1.5	-4.3	-3.7	-2.6	-2.3	-1.2
Greece	0.6	0.9	0.9	-9.7	-7.1	-2.3	-1.3	-0.6
Hungary	-2.5	-2.1	-2.0	-7.5	-7.1	-6.2	-4.0	-4.4
Ireland	-0.3	0.1	0.5	-5.0	-1.6	1.6	1.7	2.2
Italy	-2.4	-2.2	-1.5	-9.7	-9.0	-8.0	-4.5	-3.7
Japan	-3.1	-2.5	-3.0	-9.1	-6.2	-8.0	-6.5	-4.4
Latvia	-0.8	-0.8	-0.6	-4.4	-7.1	-4.4	-3.8	-2.7
Lithuania	0.4	0.5	0.5	-6.5	-1.2	-0.6	-1.7	-1.4
Netherlands	1.4	1.5	1.8	-3.7	-2.4	0.0	-2.1	-1.7
Poland	-1.5	-0.2	-0.7	-6.9	-1.8	-3.7	-5.0	-3.7
Spain	-3.1	-2.6	-3.1	-10.1	-6.9	-4.8	-4.1	-3.3
Sweden	1.4	0.8	0.6	-2.8	0.0	0.7	-0.9	-0.5
United Kingdom	-2.4	-2.2	-2.2	-12.8	-8.1	-5.2	-3.2	-2.4
United States	-4.4	-6.1	-6.7	-14.9	-12.1	-4.0	-5.0	-5.5

Source: Own study based on AMECO data, https://dashboard.tech.ec.europa.eu/

The research showed that general government debt had already reached a significantly high level, but it varied across the countries surveyed. This had its reasons, taking into account the size of the examined country, economic potential, population, and employment, but the increase in public spending in all of these countries contributed to the increase in public debt, especially in 2022–2021. There was a slight improvement starting in 2022, but by 2023 and probably, according to the forecast for 2024, the values recorded in 2019, i.e., in the year preceding the recession caused by COVID 19, will not be achieved (Table 2).

Table 2. Public debt in relation to GDP in selected countries in 2017-2023, projection for 2024 (in%)

Specification	2017	2018	2019	2020	2021	2022	2023	2024
European Union	83.6	81.5	79.3	91.7	89.5	85.3	83.4	82.6
Austria	78.5	74.1	70.6	82.9	82.3	78.4	75.4	72.7
Belgium	102.0	99.9	97.6	112.0	109.1	105.1	106.0	107.3
Denmark	35.9	34.0	33.7	42.2	36.7	30.1	30.1	28.8
Finland	66.0	64.8	64.9	74.7	72.6	73.0	73.9	76.2
France	98.1	97.8	97.4	114.6	112.9	111.6	109.6	109.5
Germany	65.2	61.9	59.6	68.7	69.3	66.3	65.2	64.1
Greece	179.5	186.4	180.6	206.3	194.6	171.3	160.2	154.4
Hungary	72.1	69.1	65.3	79.3	76.6	73.3	70.7	71.1
Ireland	67.6	63.0	57.0	58.4	55.4	44.7	40.4	38.3
Italy	134.2	134.4	134.1	154.9	149.9	144.4	140.4	140.3
Japan	231.3	232.4	236.4	258.7	255.4	258.9	255.1	252.3
Latvia	38.9	37.0	36.5	42.0	43.7	40.8	39.7	40.5
Lithuania	39.1	33.7	35.8	46.3	43.7	38.4	37.1	36.6
Netherlands	57.0	52.4	48.5	54.7	52.5	51.0	49.3	48.8
Poland	50.8	48.7	45.7	57.2	53.6	49.1	50.5	53.0
Spain	101.8	100.4	98.2	120.4	118.3	113.2	110.6	109.1
Sweden	41.4	39.5	35.5	39.8	36.5	33.0	31.4	30.7
United Kingdom	86.6	86.1	85.5	105.6	105.9	101.0	99.4	99.1
United States	105.2	107.0	108.5	131.8	127.0	123.4	121.8	122.8

Source: AMECO Online (2023)

The deterioration of the global macroeconomic situation was not only related to the pandemic but was also caused by the changing conditions of the global macroeconomic environment and regional crises. In the conditions of an open economy, the transfer of various factors influencing economic and social processes occurs relatively easily. Therefore, starting in 2019, the situation in the public finance sector deteriorated significantly, which was caused by indirect factors, the need to undertake various interventions, especially when it comes to current expenses, and, as a consequence, the need to obtain funds to finance tasks from sources outside the budget in the form of loans, credits, and bond issues.

Taking into account the Consumer Price Index, it should be noted that starting in 2020, a significant and sometimes even sudden increase in the value of this measure was observed. The situation in countries around the world was varied, and it is difficult to identify any general patterns. It was the significant increase in prices of goods constituting the basket of consumer goods that made it necessary to activate stabilization mechanisms that were supposed to alleviate the effects of the economic recession caused mainly by the COVID-19 pandemic. If we look at CPI from the point of view of various economies and regions of the world, we will notice that an increase in CPI was recorded in all European Union countries, which on average in 2021 compared to 2020 amounted to 2.9%, as well as in the United States, Asian countries, and others. The changes varied in individual European Union Member States. High short-term price increases were recorded in Lithuania, Hungary, Ireland, and Italy. In some countries, the price increase was not so significant, although from the point of view of sustainable development and the inflation target set by central banks, the CPI level was too high (Table 3).

Table 3. Consumer Price Index (CPI) in selected countries in 2017-2023 (September)

Specification	2017	2018	2019	2020	2021	2022	Jan-2023	Sep-2023
European Union	1.6	1.8	1.4	0.7	2.9	9.2	10.0	4.9
Austria	2.1	2.0	1.5	1.4	2.8	8.5	11.2	6.0
Canada	1.6	2.3	1.9	0.7	3.4	6.8	5.9	3.8
Denmark	1.1	0.8	0.8	0.4	1.9	7.7	7.7	0.9
Finland	0.8	1.1	1.0	0.3	2.2	7.1	8.4	5.5
France	1.0	1.9	1.1	0.5	1.6	5.2	6.0	4.9
Germany	1.5	1.7	1.4	0.1	3.1	6.9	8.7	4.5
Greece	1.1	0.6	0.3	-1.2	1.2	9.6	7.0	1.6
Hungary	2.3	2.9	3.3	3.3	5.1	14.6	25.7	12.2
Italy	1.2	1.1	0.6	-0.1	1.9	8.2	10.0	5.3
Japan	0.5	1.0	0.5	-0.0	-	-	-	-
Latvia	2.9	2.5	2.8	0.2	3.3	17.3	21.5	3.3
Lithuania	3.7	2.7	2.3	1.2	4.7	19.7	20.0	3.7
Netherlands	1.4	1.7	2.6	1.3	2.7	10.0	7.6	0.2
Poland	2.0	1.7	2.3	3.4	5.1	14.3	16.6	8.2
Spain	2.0	1.7	0.7	-0.3	3.1	8.4	5.9	3.5
Sweden	1.8	2.0	1.8	0.5	2.2	8.4	11.7	6.5
Türkiye	11.1	16.3	15.2	12.3	19.6	72.3	57.7	61.5
United Kingdom	2.6	2.3	1.7	1.0	2.5	7.9	8.8	6.3
United States	2.1	2.4	1.8	1.2	4.7	8.0	6.4	3.7

Source: OECD (2023) data.oecd.org

It should be emphasized that the CPI only reflects changes in the prices of consumer goods, i.e., those goods that directly affect the standard of living of residents, so it is not an indicator illustrating the general level of inflation in the economy. This is not an indicator characterizing the situation in the enterprise sector; however, taking into account the changes taking place, it should be emphasized that stabilization actions by state governments, including as part of the stabilization function of public finances, have become a necessity. It is worth mentioning here. In Turkey, where the CPI reached a particularly high level, this situation continued in 2023, and, according to the data presented, until January 2023, the decline was insignificant. We were therefore dealing with a still-high CPI index. The situation improved in the following months of 2023, and by September 2023, many European Union Member States and beyond saw a clear decline in the value index. These changes were probably the result of earlier intervention and economy-stabilizing actions, as well as protective actions that were intended to protect enterprises and the population against a decline in the standard of living.

When it comes to the interest rate policy of central banks in 2019-2023, there was a diversified approach to the use of the interest rate instrument. In highly developed countries, they were relatively low. Attention should be paid to the European Central Bank, which kept interest rates at 0.00 until mid-2020. Interest rates in the United States were kept low and until January 31, 2022, they were at a low level close to zero. Both in the EU euro zone and in the United States, interest rate increases were recorded from mid-2022, which was due to the need to take stabilization measures. The data included in Table 4 indicate that central banks used diversified interest rate policies when it comes to actively engaging in stabilizing the economy. The delay in the introduction of interest rate increases in the United States was probably related to the desire to postpone the risk of an increase in inflation, which was already showing an upward trend.

Table 4. Central bank policy rates in selected countries in the years 2019-2023

Specification	Canada	Switzer-land	China	United Kingdom	Hungary	Japan	Poland	Türkiye	United States	Euro area
31.12.2019	1.75	-0.75	4.15	0.75	0.90	-0.10	1.50	12.00	1.63	0.00
31.10.2020	0.25	-0.75	3.85	0.10	0.60	-0.10	0.10	10.25	0.13	0.00
31.01.2021	0.25	-0.75	3.85	0.10	0.60	-0.10	0.10	17.00	0.13	0.00
31.12.2021	0.25	-0.75	3.80	0.25	2.40	-0.10	1.75	14.00	0.13	0.00
31.01.2022	0.25	-0.75	3.70	0.25	2.90	-0.10	2.25	14.00	0.13	0.00
31.05.2022	1.00	-0.75	3.70	1.00	5.40	-0.10	5.25	14.00	0.88	0.00
30.06.2022	1.50	-0.25	3.70	1.25	7.75	-0.10	6.00	14.00	1.63	0.00
31.08.2022	2.50	-0.25	3.65	1.75	11.75	-0.10	6.50	13.00	2.38	0.50
31.10.2022	3.75	0.50	3.65	2.25	13.00	-0.10	6.75	10.50	3.13	1.25
28.02.2023	4.50	1.00	3.65	4.00	13.00	-0.10	6.75	8.50	4.63	3.00
30.04.2023	4.50	1.50	3.65	4.25	13.00	-0.10	6.75	8.50	4.88	3.50
30.06.2023	4.75	1.75	3.55	5.00	13.00	-0.10	6.75	15.00	5.13	4.00
31.07.2023	5.00	1.75	3.55	5.00	13.00	-0.10	6.75	17.50	5.38	4.00
31.08.2023	5.00	1.75	3.45	5.25	13.00	-0.10	6.75	25.00	5.38	4.25
30.09.2023	5.00	1.75	3.45	5.25	13.00	-0.10	6.00	30.00	5.38	4.50

Source: Bank for International Settlements (BIS 2023)

A similar situation was observed in the United Kingdom, Switzerland, Canada, and Japan, where interest rates have been negative since 2019. Some countries decided to raise interest rates relatively early in order to stabilize unfavorable phenomena in the economy. This was related to an attempt to limit inflation and the active involvement of central banks in stabilization activities.

In Poland, in the years 2017–2020, there was a quite rapid increase in the prices of consumer goods and services (CPI). Despite the crisis phenomenon, GDP per capita remained at a fairly stable level, and even starting in 2021, an increase in the value of the measure was recorded. The inflation premium was also important here, as due to price increases, the nominal value of GDP was also characterized by increases. It can be assumed that part of the GDP growth had real economic reasons, while part of it resulted from inflationary price increases.

During the crisis, Poland managed to keep unemployment at a relatively low level. In the period in question, there was an absolute decrease in registered unemployment. However, it was not possible to maintain the budget deficit of general government institutions at a stable level. In 2020, it increased significantly, but in subsequent years, a reduction in the budget deficit in relation to GDP was observed (Table 5).

Table 5. Selected macroeconomic indicators in Poland in 2017-2022

Specification	2017	2018	2019	2020	2021	2022
Price growth rate of consumer goods and services, %	2,0	1.6	2.3	3,.4	5.1	14.4
GDP per 1 mk thou. euro	12.1	13.0	13.9	13.7	15.1	17.4
Unemployment in %	6,6	5,8	5,2	6,8	5,8	5,2
Debt of the general government sector, in % of GDP	50,8	48,7	45,7	57,2	53,6	49,3
General government deficit/surplus, in % of GDP	-3.8	-4.2	-0.7	-6.9	-1.8	-3,7
Share of private investments in total investments, in %	69.7	64.4	66.3	63.8	65.0	-

Source: Own study based on: Macroeconomic Data Bank (BDM 2022); and https://dashboard.tech.ec.europa.eu

When it comes to changes in interest rates in Poland, it is worth noting that until 2020, the basic interest rates were stable with a decreasing trend, but starting in 2020, there was an increase in the value of the basic interest rates, which reached its maximum in 2022 and partially in 2023. Starting in September 2023, a gradual reduction in base interest rates was recorded in Poland, which is good market information when it comes to further interest rate policy and monetary policy (Figure 1).

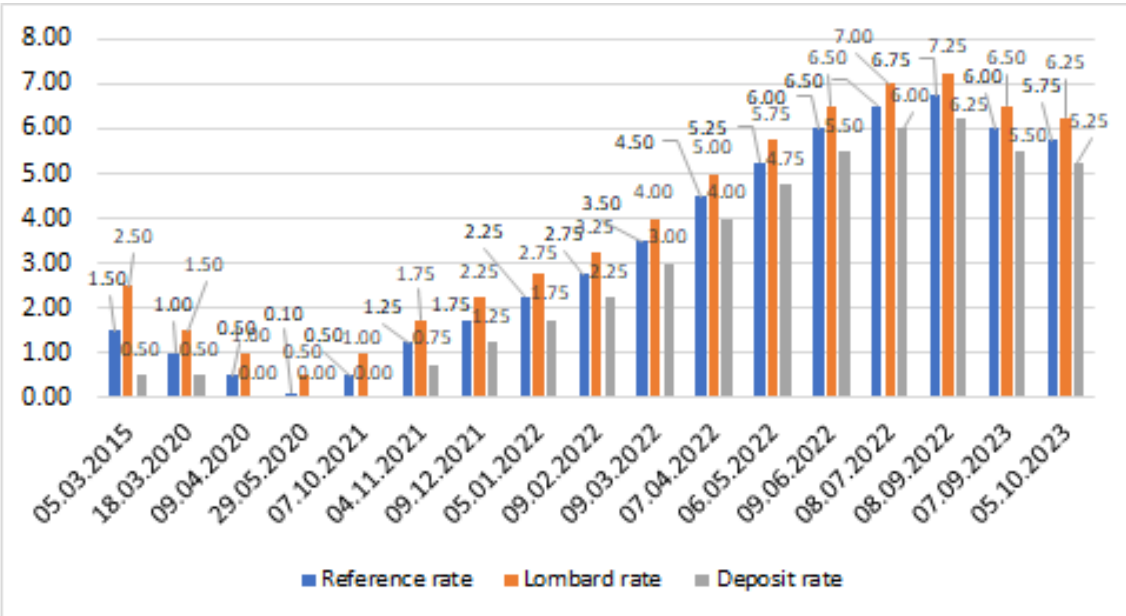

Figure 1. Basic interest rates in Poland in 2015-2023

The presentation indicates that the crisis phenomenon in Poland necessitated multiple increases in base interest rates, mainly due to rapidly developing inflation, but interest rates have stabilized since mid-2022. In the following months of 2023, a gradual decrease in their value was recorded. This was in line with the central bank's interest rate policy and monetary policy, according to which public authorities sought to stabilize the economy, in particular to limit excessive inflation.

Stabilization activities of the public finance sector

In 2020, it became clear that the scale of the crisis and the economic recession caused by the COVID-19 pandemic took on significant dimensions that no one could have predicted. In 2020, GDP decreased by 6.7% compared to the forecast values, but this concerned the global economy. In many countries, the situation was much more difficult, with significantly greater declines in GDP. Stabilization activities took place in various ways. On the one hand, European Union member states took individual adjustment actions in line with the current needs of the economy and society, and at the same time, coordinated actions emerged within the European Union institutions. As far as the scope of stabilization interventions by the European Union for the benefit of the Member States is concerned, we were dealing here with large-scale activities. The actions were legally supported in the European Commission document "Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak" (European Commission 2020). The document contains information on directions for action in the field of public health and rules of conduct in economic matters. A proposal of various stabilization programs was prepared, which included loan moratoriums, public guarantees, public loans and direct subsidies, tax deferrals, tax reliefs, and support for loan insurance. Table 6 presents the characteristics of activities in this area in 2020. The stabilization programs covered a total amount of over EUR 1.5 billion, which improved the situation of enterprises and the population. The most important and largest part were moratoriums, public guarantees, as well as direct subsidies and tax deferrals. This had an impact on the situation in terms of the value of support in relation to GDP (Table 6).

Table 6. Size and uptake of stabilization programs (September 2020)

Specification	Total uptake, in bn EUR	Total size announced in bn EUR	Total uptake (percentage of 2019 GDP)	Total size announced (percentage of 2019 GDP)	Total uptake (percentage of total loans)	Total size announced (percentage of total loans)
Moratoria	838.0		5.0		5.4	
Public guarantees	435.0	1580.0	2.6	9.5	2.8	10.2
Public loans	66.0	57.0	0.4	0.3	0.4	0.4
Direct grants	112.0	327.0	0.7	2.0	-	-
Tax deferrals	77.0	170.0	0.5	1.0	-	-
Tax relief	13.0	75.0	0.1	0.4	-	-
Public support for credit insurance	n. a.	227.0	n. a.	1.4	-	-
Total	1541.0		9.2		-	-

Source: European Systemic Risk Board (ESRB 2021)

Currently, there is a need to continue anti-crisis measures and conduct stabilization activities that could lead to a return to the path of sustainable development. As part of stabilization activities, various targeted programs continue to be launched and financed, both on the scale of individual countries and internationally, such as in the European Union under the "National Recovery and Resilience Plans" and under the International Monetary Fund, the World Bank, and other international entities. The scope of activities clearly indicates the increased involvement of public resources in the economic and social spheres.

The use of instruments of the stabilization function of public finances is visible and has become a necessity in view of the set economic goals. An important issue is the assessment and stabilization of the situation in developing countries, where the possibilities of financing stabilization policies are limited. In many emerging markets and developing economies (EMDEs), the scope of changes introduced, despite the efforts of public authorities, is insufficient. Many developing countries have seen an increase in food prices due to the interruption of the supply chain, such as in Colombia, Ecuador, the Philippines, or Vietnam. Therefore, the global situation and the effects of the impact of crisis phenomena caused not only by the COVID-19 pandemic cannot be treated without taking into account the specificity of local conditions and the level of economic development. This dimension is particularly important when it comes to the possibilities of the application of stabilization mechanisms.

Also in Poland, a number of activities have been undertaken as part of the "Anti-Crisis Shield", which is a comprehensive package of government activities intended to counteract the effects of the COVID-19 pandemic and other phenomena, such as the growing immigration crisis. Therefore, it applies to activities in the following areas: entrepreneurs, employees, SMEs, health, financial institutions, and investments. Comprehensive activities are aimed at stabilizing socio-economic processes and activities for the benefit of the population, as well as activities aimed at supporting enterprises.

Conclusions

Crisis phenomena may have effects on the economy of varying scale and strength. In the years 2020–2023, a number of events were recorded that directly and indirectly influenced the course of socio-economic processes on a global scale in countries and regions. Due to the rapid changes in the economy, there is a need to look for effective methods that would mitigate the negative effects of crisis phenomena. It became necessary to draw attention to the possibilities of stabilizing the economy through the use of different instruments, including those in the public finance sector. Practice proves that over the years 2020–2023, in a period that included a number of negative social, economic, and political phenomena, it was necessary to activate mechanisms that allowed for the mitigation of the effects of this type of event. The scope of interventions, as well as the timing of their launch, varied significantly on a global scale. It is necessary to point out the individual policies of state governments and international organizations. The stabilization policy of central banks began to play an important role. In Europe, the European Central Bank, which shaped the financial policy in the euro zone, and the Federal Reserve System (FED) in the United States, as well as the policies implemented by other countries in the world, including Asian countries, chose their own path of reacting to the changes taking place, depending on their assessment of the situation. The difficulties have not ended yet, it is expected that the stabilization of the economy within the public finance sector will continue in the future.

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