
Public Aid for Relieving the Effects of COVID-19 Pandemic

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Abstract:

Purpose: The aim of the article is to show the direction and size of public aid intended to relieve the effects of the pandemic in Poland.

Design/Methodology/Approach: Based on the macroeconomic indicators, the authors present economic effects of the pandemic in order to justify the purposefulness of the granted public aid, and describe its direction and scope at EU level and in relation to Poland. The final part of the study comprises an analysis of the potential outcome of public aid and recommendations regarding future activity.

Findings: The article shows the role and importance of public aid in relieving the effects of economic crises. The authors point out the impact of public aid on the behaviour of enterprises and private households, as well as on the overall condition of public finances.

Practical Implications: Public aid in Poland has been directed both to businesses and to households in order to counteract the negative effects of the pandemic. The authors show that despite the undertaken steps, during the period under study the rate of cuts both for enterprises and private households was growing, while for companies the rate of investment was decreasing. In addition, the state revenue generated from taxation decreased, whereas budget expenditure went up. These dependencies constitute an important implication for decision-makers in relation to the size and form of public aid, both already granted and planned in the future.

Originality/value: The economic crisis caused by the current pandemic is unprecedented in terms of its reasons as well as the pace and effects of its spreading. This study fills a gap in the subject literature by showing the mechanism of the crisis, the value and scope of public aid employed to relieve its effects, and also the impact of the undertaken initiatives on the behaviour of businesses and households.

Keywords: Public aid, economic crisis.

Paper Type: Research study.

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1. Introduction

Economic crises constitute an inherent element of economic development. A crisis is a period in which there is a dramatic fall in the volume of production and the real income of the population, accompanied by growing unemployment (Mankiw, 1985), and its occurrence is related to the cyclicity of economic growth (Juglar, 1889). Numerous crises have taken place over recent decades, yet among those most spectacular both in terms of their size and effects, one can point out those of 1929-1933 and the subprime crisis in 2008. The latter demonstrated a new quality of business cycle fluctuations, i.e. the fast geographic transmission of negative trends. The ongoing globalization means that the world economy has become a system of communicating vessels, and the results of turbulences emerging in individual countries are being felt on a global scale.

In easing the effects of economic crises an important role is played by public aid understood as assistance given by the state itself or from official sources, which infringes or threatens competition by favouring certain enterprises and the production of selected products. Such aid can be provided in particular in the form of grants, tax relief, capital and investment subsidies, and the so-called ‘soft crediting’ (loans which are preferential and conditionally cancelled, deferred or repaid in instalments), sureties and guarantees (The Treaty on the Functioning of the EU). Granting public aid in EU countries is possible only when the European Commission confirms its compatibility with the rules contained in article 108 of the above Treaty (TFEU). The scope and size of public aid should be adapted to the macroeconomic condition of the given country and the strength of the impact of the given crisis on the functioning of its economy⁵. The aim of the article was to show the size and directions of applying public aid oriented at relieving the effects of the pandemic, and the impact of the implemented actions on the behaviour of enterprises and private households as well as on the condition of public finances. The study verified the following research hypotheses:

H1. The 2020 crisis is unprecedented due to its mechanism – the reasons for its occurrence, the way of its spreading, the pace of its expansion, and its socio-economic effects.

H2. Relieving the effects of the crisis requires systemic actions both on the domestic and international levels.

H3. Public aid is the way of managing the crisis and relieving its socio-economic impact, and its scope and instruments are adapted to the individual economic condition of a given state.

⁵An important theoretical input on the issue of public finances came from J. E. Stiglitz, Nobel prize winner and author of “Economics of The Public Sector” (1986), 2nd ed. 1988, 3rd ed. 2000; 4th ed. was significantly amended: Stiglitz J., Rosengard J.K., (2015), *Economics of The Public Sector*, 4th ed., W. W. Norton & Company.

The paper comprises the following sections. The first describes the phenomenon of the 2020 crisis and analyses its impact on the volume of GDP. The next section focuses on the nature and form of public aid implemented to relieve the effects of the pandemic in Poland. The final part of the paper contains a description of the behaviour of enterprises and private households during the first wave of the pandemic, the impact of the granted aid on the condition of the public finances and some recommendations for political decision-makers.

2. The Nature of Crises and their Influence in the Economy

A symptom of every economic crisis is the slowing pace of economic growth. In the classical theory of business cycle, the crisis phase is marked by changes in macroeconomic indicators, i.e. a drop in the pace of growth of GDP, a falling rate of employment, and a decrease in demand and supply (Hadziahmetovic *et al.*, 2018).

Hayek distinguished the theories (reasons) of the cyclicality of economic growth into monetary (connected with money market) and non-monetary (Hayek, 2014). Among the latter, which explain the cyclicality of growth one can name the innovation theory (Schumpeter), the theories of psychological influence on the behaviour of market players (Pigou), the theory of overinvestment (Mises, 2016; Hayek, 1929), the theory of the political business cycle by Minford and Peel (Minford and Peel, 1982), and of the real business cycle (Kydland and Prescott, 1982).

The reasons for the crisis commencing in 2020 should be seen amongst those of a non-monetary nature as the year started with a world-wide pandemic caused by the COVID-19 virus. The fear of mass-scale infection prompted the majority of governments to undertake actions aimed at reducing the possibility of the further spreading of the virus which threatened the paralysis of healthcare systems. In order to counteract mass infection, restrictions were put onto many areas of socio-economic life. The most notable was a period of ‘lockdown’, which meant closing schools and universities, numerous businesses, closing down national borders and a ban on travelling (Grima *et al.*, 2020). It was obvious that all these initiatives would lead to a fall in GNP and to a global economic crisis. The 2020 crisis, just as the financial crisis of 2008, demonstrated that non-economic factors play an increasingly important role in socio-economic development. The 2020 crisis was unpredictable, appeared suddenly ‘out of the blue’, and its reasons were difficult to foresee using theoretical models employed by economists (Khan *et al.*, 2020).

Crises whose effects are revealed on a global scale should be managed by state institutions. In economic theory there coexist two opposing views on the functioning and economic equilibrium (the role of the state in the economy), namely classical and Keynesian. Classical economics assumes the primacy of free market activity and the inefficiency of macroeconomic policies. Keynesian economics perceives the fallibility of the market and highlights the need for state intervention through the instruments of economic policy, in the short term mostly fiscal, in order to eliminate

the effects of that fallibility, in particular when a crisis occurs. It can be stated that the classical approach is appropriate in times of prosperity, whereas that Keynesian is more indicated during a crisis.

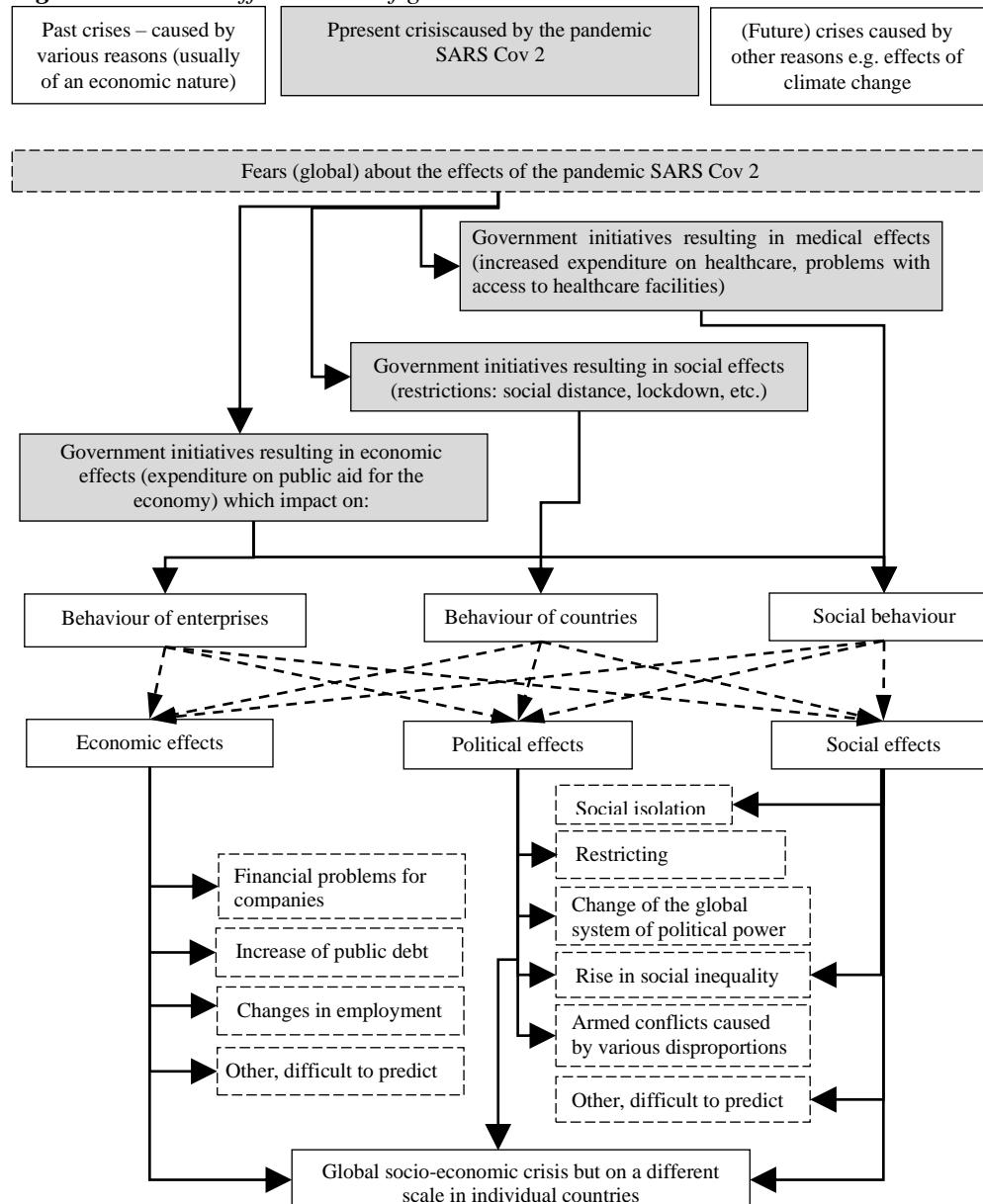
In periods of crises (especially global) such as those in 2008 and 2020, it is common to deny the accomplishments of classical economic theory (in particular its main stream) as well as the *efficient market hypothesis* (Fama, 1970). Standard models of economic development used in that theory assume that markets and economies are stable by nature, and only periodically stray from the path of stable growth. According to Mankiw, the increasingly frequent and unpredictable “recessions and depressions mean a large-scale inefficiency of the market” (Mankiw, 1993).

The crises in 2008 and 2020 and the necessity to propose the means for eliminating their effects, simply denied the relevance of some trends in the science of economics, especially those favouring the dominance of the market in the economy. It was found that an economy dominated by free market rules is unable to resolve problems resulting from the crisis created by financial markets and by the worldwide pandemic. Both these crises reinforced the rationality of the Keynesian approach and the need for an active state policy in fighting their effects. Similarly to the crises in 2008 and in the 1930s, that of 2020 requires state intervention in order to manage the crisis situation, and this applies equally at regional, national and international level. In the case of a global crisis, it is also necessary to obtain support from supranational institutions. During the 2020 crisis this is the WHO, while in armed conflicts such a role is played by the UN and NATO, and during financial ones by the IMF. There is a need for the constant improvement of the global architecture of safety networks which should provide support in managing future global crises.

It cannot be excluded that the effects of the abovementioned crises will generate further ones resulting from excessive indebtedness and insolvency of some countries, other health crises caused by dangers other than COVID-19, as well as armed conflicts and crises linked to fight for economic interests. It is also possible that new autonomous threats will emerge linked to climate change or the pollution of the environment, as well as IT crises, immigration crises or those created by the conflicts between the rich North and the poor South. The figure below shows clearly the doubts and dilemmas arising from the analyses of the social and economic processes which are linked to the COVID-19 pandemic (see Figure1).

It is clear that the pandemic was not a direct cause of the crisis, but it created fears about its effects, both among international institutions and society, as well as the governments of individual countries. The latter were the first to undertake decisive actions focused on making simultaneously decisions to achieve the expected medical, social and economic results. Consequently, these caused changes in the behaviour of entire countries and companies, and a change in social behaviour.

Figure 1. A cause-effect model of global crises



Source: Own elaboration.

The introduction of drastic limitations resulted in a variety of restrictions which manifested themselves directly in reduced freedom of movement and limited social contacts. Suspending business operations of some companies resulted in the breakdown of supply chains and the loss of financial liquidity. Perceiving these difficulties, the authorities in many countries decided to counteract them *a priori* by introducing broadly interpreted instruments of public aid. Restricting the mobility of

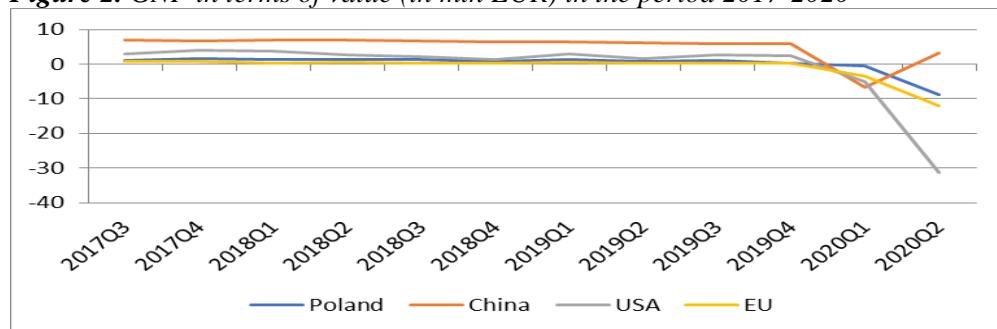
populations and locking down the economy resulted in the imbalance of budget revenues, while the resources spent on public aid increased budgetary expenditure. The effect brought about by the above was the growing indebtedness of the public sector which will emerge as a great challenge in the future. At this point it remains difficult to predict the ultimate scale and scope of the 2020 crisis because the pandemic has been neither extinguished nor brought under control, and nobody is able to predict the outcome of the subsequent months of 2020 and 2021. Thus it is possible that the crisis will continue and grow further.

Nowadays the global economy has to face new challenges, coping with which may prove as difficult as managing the COVID-19 pandemic. Equally difficult to predict will be the negative consequences of the threats created by climate change, the growing dependence of world economies on IT, or even other pandemics caused by viruses as yet unknown to us. One should also consider seriously the danger of the subsequent overlapping of crises caused by the above mentioned reasons. Such a situation creates the necessity of preparing scenarios for crisis management to counteract such threats, whose consequences are impossible to predict. In such unfavourable conditions, it will become indispensable to rely on state intervention (and above all of that of the unions of states) because market mechanisms alone are unable to restore equilibrium. The main instrument of state interventionism should be the tools of public aid which, through their universalism and financial form, will be relatively easy and quick to channel to those who require such support. Yet theory of economics is sadly lacking knowledge about these instruments and the ways of applying them. Therefore, it is absolutely necessary to review the opinions on the subject of public aid and its use in restoring equilibrium in conditions of future crises which will threaten the world.

3. The Effects of the Pandemic for Poland and the EU

The current pandemic has left a clear mark on the economy and distorted its normal functioning. This is particularly visible in the deteriorating macroeconomic indicators, in particular GNP (Figure 2).

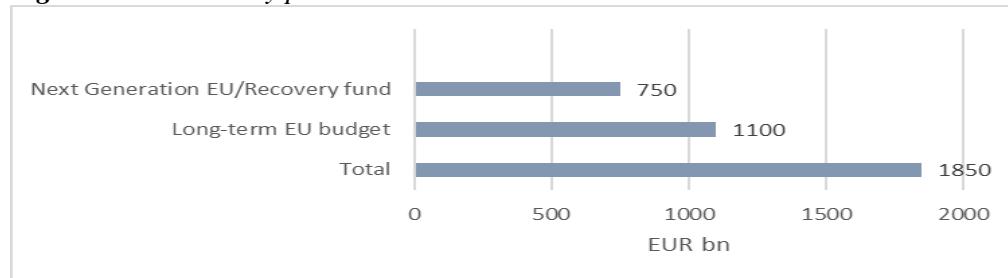
Figure 2. GNP in terms of value (in mln EUR) in the period 2017-2020



Source: Own elaboration based on <https://tradingeconomics.com>.

Only China – which was affected earlier by the pandemic – recorded a fall in GNP just in the first quarter 2020 but an increase in the subsequent one. In response to the pandemic induced crisis, the EU has already approved a comprehensive plan of recovery for Europe and its budget for the period 2021-2027. The package includes a long-term financial framework (1100 bn euro) as well as a special instrument called Next Generation EU (750 bn euro), and its total value amounts to 1850 bn euro (Figure 3).

Figure 3. EU recovery plan - main elements



Source: Own elaboration based on https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/recovery-plan-europe_pl

The Next Generation EU comprises three elements: support for the reconstruction of EU economies, starting the reconstruction of the economy and supporting private investment, as well as resources allocated for ‘conclusions drawn from the crisis’ (Table 1).

Table 1. The recovery plan for the EU affected by the COVID-19 crisis (in EUR bn)

| | MFF 2021-2027 (May 2020) | Of which under Next Generation EU |
|--|--------------------------|-----------------------------------|
| Total MFF | 1850.0 | 750.0 |
| 1. Single Market, Innovation and Digital | 210.5 | 69.8 |
| Horizon Europe | 94.4 | 13.5 |
| InvestEU fund, of which under the Union Recovery plan | 31.6 | 30.3 |
| Investing in the EU economic recovery | 15.3 | 15.3 |
| Strategic Investment Facility (new window) | 15.0 | 15.0 |
| EU Solvency Instrument under EFSI | 26.0 | 26.0 |
| 2. Cohesion and Values | 984.5 | 610.0 |
| Cohesion Policy | 373.2 | 50.0 |
| Recovery and Resilience Facility (incl. Technical Support) | 560.8 | 560.0 |
| Of which LOANS | 250.0 | 250.0 |
| Of which GRANTS | 310.0 | 310.0 |
| 3. Natural Resources and Environment | 402.0 | 45.0 |
| Common Agricultural Policy | 348.3 | 15.0 |

| | | |
|--|--------------|-------------|
| Of which Pillar II (Rural Development) | 90.0 | 15.0 |
| Just Transition Fund | 40.0 | 30.0 |
| 4. Migration and Border Management | 31.1 | 0.0 |
| 5. Resilience, Security and Defence | 29.1 | 9.7 |
| Union Civil Protection Mechanism (rescEU) | 3.1 | 2.0 |
| Health programme | 9.4 | 7.7 |
| 6. Neighbourhood and the World | 118.2 | 15.5 |
| Neighbourhood, Development and International Cooperation | 86.0 | 10.5 |
| Humanitarian Aid | 14.8 | 5.0 |
| 7. European Public Administration | 74.6 | 0.0 |

Source: Own elaboration based on <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2020:442:FIN>

The size of public aid received by individual countries will depend on their economic situation and the size of the pandemic affecting it.

3.1 The Effects of the Pandemic in Poland and Public Aid

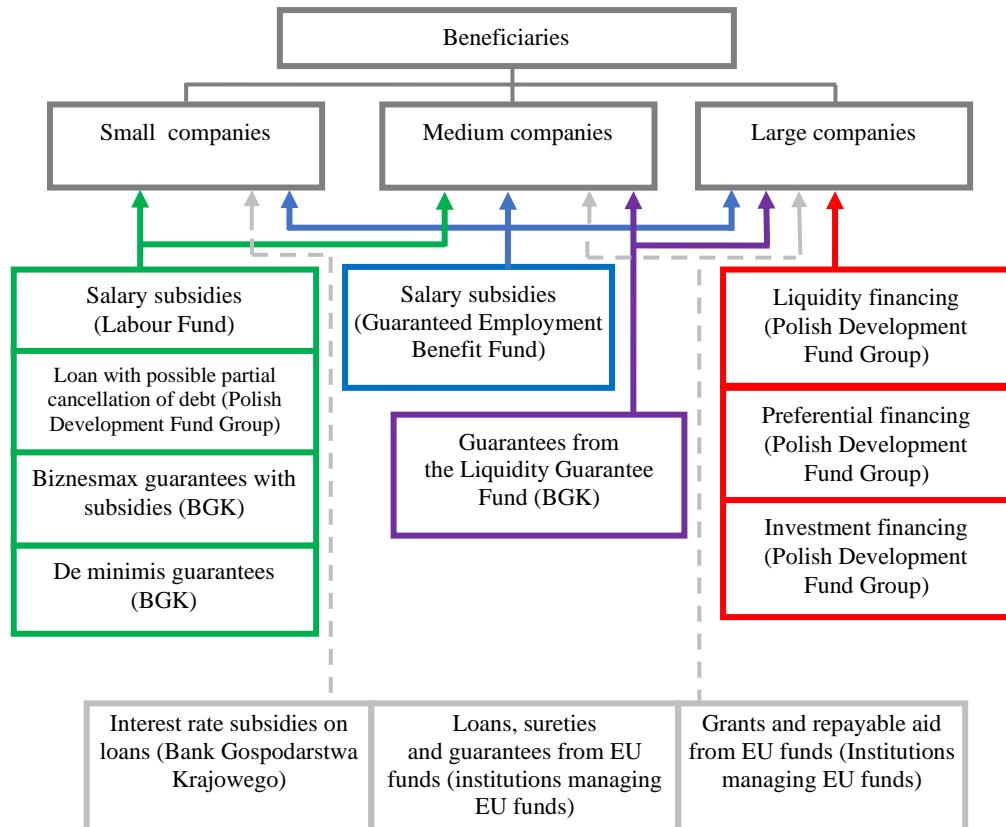
Poland reported its first confirmed case of COVID-19 on 5 March 2020. The government then introduced measures aimed at restricting the further spread of the pandemic, including the closure of schools, universities, restaurants and the majority of retail and service outlets, as well as a ban on organizing large gatherings, border controls and travel restrictions. The lockdown continued for just over one month and on 16 April 2020 the Polish government presented a gradual (four-stage) plan for reopening the economy.

As part of the initiatives aimed at relieving the effects of the pandemic the government in Poland allocated budget resources of an estimated value of PLN 104 bn (4.6% of GDP), and also approved new credit sureties and micro-loans for businesses amounting to PLN 75 bn (3.3% of GDP). Additionally, the Polish Development Fund (Polski Fundusz Rozwoju) obtained public financing to the amount of PLN 100 bn (4.5% GDP) to support the financial liquidity of businesses. The key programmes targeting the business sector are shown in Figure 4. Furthermore, businesses will be able to write off their operational losses for 2020 in their tax declarations for 2021, whereas the 2019 declarations can be also adjusted to write off their losses for 2020 from their income tax for 2019 (*Tarcza antykryzysowa* [Anticrisis shield], art. 4).

In order to support the domestic tourism sector and families with children, a tourist voucher was introduced as of 1 August 2020, thanks to which every child entitled to the Rodzina 500+ benefit will receive a one-off voucher for PLN 500 (approximately EUR 110) to be used in hotel facilities and tourist events in Poland. Financial assistance aimed at realizing investment projects was also granted to local government institutions through the creation of a government fund for local investment [*Rządowy Fundusz Inwestycji Lokalnych*] with a budget of PLN 6 bn

(approximately EUR 1.5 bn). The aim of this new initiative is to stimulate public investment in the local government subsector, financed by the Anti-COVID-19 Fund.

Figure 4. Public aid directed to the business sector in Poland



Source: Own elaboration based on <https://www.pwc.pl/pl/pdf-nf/2020/state-aid-in-poland-covid-19.pdf>

Fundusz Przeciwdziałania COVID-19 [the Anti-COVID-19 Fund] was created by BGK [Bank Gospodarstwa Krajowego] in order to finance or co-finance the realization of tasks connected with counteracting the COVID-19 pandemic. Its budget amounts to 100 bn zł (approximately EUR 22 bn), obtained through the sale of bonds issued by BGK and guaranteed by the State Treasury. The Fund remains under the supervision of the Chairman of the Council of Ministers, but its revenue will be transferred to various Ministries and other institutions engaged in combating the negative effects of the pandemic.

The pandemic affected negatively the ability of businesses to meet their credit repayment obligations. In order to protect the banking sector, the 3% systemic risk buffer was abolished for their capital requirements. The Polish Financial Supervision

Authority [KNF] also prepared a package of initiatives to additionally strengthen the banking sector and the possibilities of financing the economy in connection with the COVID-19 pandemic [Pakiet Impulsów Nadzorczych na rzecz Bezpieczeństwa i Rozwoju, PIN].

Apart from businesses, public aid was also addressed to the public. Parents of small children (up to 8 years old), due to the closure of schools and other relevant facilities received a childcare benefit, while those who lost their job after 15 March 2020 qualify for the so-called ‘solidarity benefit’ payable during the period of three months (June to August). Unemployment benefit was increased by 39% during the first 90 days of being out of work.

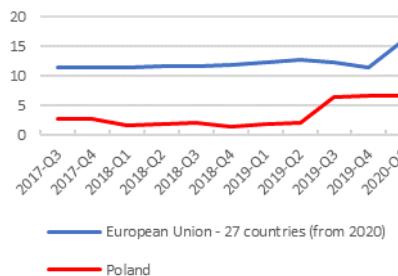
The first national aid programmes appeared within approximately the first two weeks, and were focused on maintaining the financial liquidity of companies and the level of employment. These programmes are significant in terms of expenditure and minimising the administrative procedures involved. National resources are augmented by EU means: firstly, the Next Generation EU, and also structural funds from the one currently ending, and the forthcoming EU perspective. The value of the antivirus support in Poland will exceed PLN 200 bn (approximately EUR 44 bn).

4. Behaviour of Enterprises and Private Households

The 2020 crisis is of a particular nature, yet it demonstrates all the characteristics of an economic crisis, as well as those of a social and medical nature. Even at the stage of analysing its reasons, the scale of its occurrence, the actions aimed at counteracting its development and the potential outcomes, it becomes clear that this crisis is long-term and not comparable to any previous ones. It can be stopped by the invention of a vaccine against the virus and/or by achieving the mass-scale immunity of the population. The effects of the crisis are visible in all the most important macroeconomic indicators for the Polish economy. In the second quarter of 2020 the YOY GNP decreased by 8.2%, the unemployment rate rose to 6.1% (while in January 2020 it was calculated at 5.5%).

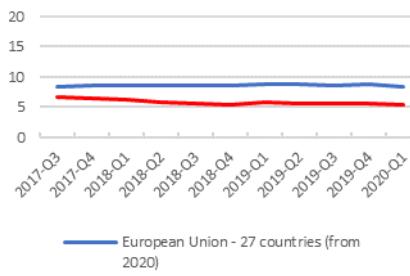
Public aid is aimed at stabilizing the economy and stimulating global demand, whereas the statistics suggest that public funds designated to the economy and the population are being accumulated, and the saving rate of private households is growing. The size of deposits made by Polish households in the second quarter of 2020 rose by PLN 72.11 bn (approximately EUR 18 bn) (see Figure 5), while the rate of investment both for businesses and private households is in decline (Figures 6 and 7). The change in the conditions of functioning and economic situation of both enterprises and households influenced the size and structure of the state budget revenue and expenditure (Figures 8 and 9). Tax revenue fell significantly compared to previous years; this is visible both in terms of income tax and value-added tax (VAT).

Figure 5. Gross households saving rate



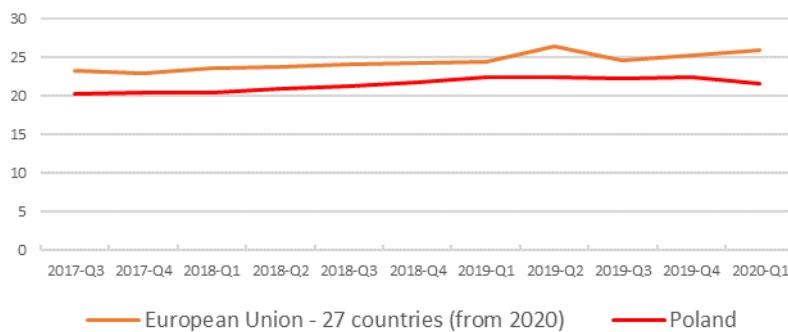
Source: Own elaboration based on Eurostat

Figure 6. Households investment rate



Source: Own elaboration based on Eurostat

Figure 7. Investment rate of non-financial corporations



Source: Own elaboration based on Eurostat

Figure 8. State budget revenue (PLN mln)

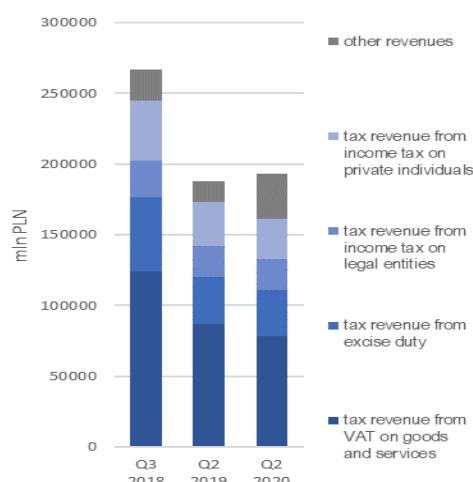
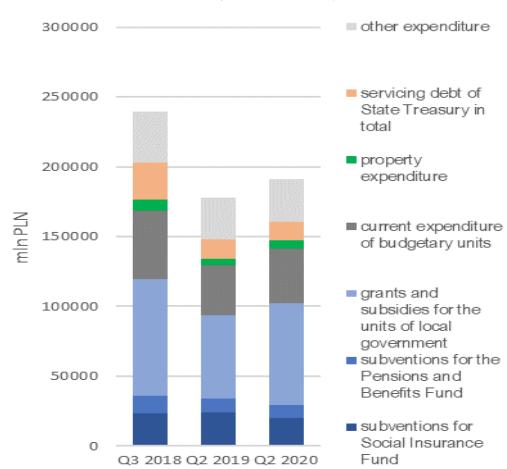


Figure 9. State budget expenditure (PLN mln)



Source: Own elaboration based on data from The Ministry of Finance.

At the same time there was an increase in the state budget expenditure connected with relieving the effects of the pandemic (Figure 9). There was a significant rise in the subsidies and grants allocated to units of local government.

The indicated behaviour of enterprises and private households, accompanied by the altered structure of state budget revenue and expenditure, encourage considerations regarding the adequacy and effectiveness of the initiatives implemented up to now (Arif and Hussain, 2018; Poniatowicz *et al.*, 2020). It is also necessary to formulate some recommendations regarding the direction of public aid.

5. Conclusion

In using public aid as an instrument to combat the negative effects of economic crises, it should be remembered that this always results in an increase of public debt and the need to repay it in future. Therefore public aid should be offered in such a way as:

- 1) not to cause a substantial increase in the fiscal burden,
- 2) at the same time strengthen the development tendencies of the economy.

The use of public aid requires the creation of a strategy involving both short and long-term goals.

The short-term objective, when a crisis worsens the conditions of functioning for the private sector (businesses and household), should be support for the population and businesses alike in fighting the effects of the crisis. During that period, when using public aid, no new sources of additional revenue for the state budget should be sought. No new taxes should be then introduced to additionally burden enterprises, at the same time weakening their interest in investment and increasing the costs of employing personnel. An increase in the fiscal burden (new taxes and charges) will only cause a deterioration in the conditions of functioning during the crisis and compound the difficulties already being experienced by the economy and society.

Key decisions are made by the state administration, which in the short term should not result in an increase of the fiscal burden both for businesses and private individuals, shifting the inevitable increase in the fiscal burden levied on the population towards a period ‘after the crisis’. During a crisis, the currently applied taxes should be, as far as it is possible, reduced or/and deferred. Any additional charges imposed on companies during a crisis would only translate into a reduction in their investments and staff cuts. The increase in the fiscal burden – inevitable due to the internal indebtedness – must be postponed. During a crisis the activities of the state should support in a variety of ways the private sector – by easing the obligations of entrepreneurs, extending reporting deadlines, simplifying procedures of public services and supporting them with financial instruments through forms (non-repayable and repayable) of public aid. The authors of this article strongly

support the repayable forms of public aid because they will not contribute to a permanent increase of public debt, and also will be spent in a rational way. If the financial assistance is merely consumed by businesses, without the necessity of such public funds being repaid in future, the economy will lose an opportunity to grow after the crisis. Public aid should be ‘targeted’, i.e. directed to ‘economically healthy’ entities and not those whose functioning is deprived of any economic justification, the so-called ‘zombie-companies’.

In the 2020 crisis the priority should be to ensure the health of society, namely in the short term by assisting with the needs of healthcare services, and in the long term – supporting scientific research on a vaccine against the virus and the required medication. The priority in using public aid is the transparency and clarity of actions in this scope, as well as clear rules of the functioning of public finances.

A long-term aim of public aid should be the growth of investment demand to build the development potential of the economy. The increase of indebtedness during a crisis should be oriented at investment projects which will generate future profit, thanks to which debt created during the crisis can be repaid in future.

The existing data indicate that the mechanism of transmitting public aid means into the investments by the private sector does not function properly. Unfavourable prognoses about the future affect the expectations of businesses and private households. The former reduce their investment during a crisis, and the latter restrict their consumer demand. The data on the level of the saving rate and investment for the first six months of 2020 show that, despite the application of many forms of public aid there is a significant rise in the rate of saving both for enterprises and private households, and a drop in the rate of investment. Due to the lack of a mechanism of transmitting public resources into an increase of the demand for investment which is due to investor pessimism, such demand should be generated by the public sector investment in such areas that will map out new directions for the development of the economy.

The economy of every country should be provided with a diagnosis of areas (activities) which are crucial for its long-term growth, and public aid – also in the period of crisis – should be directed to places which will maintain successful economic growth. This often means radical structural changes in the economy.

The directions of public aid during the 2020 crisis (in Poland and the EU) should be as follows (in chronological order):

- the increase of health safety (additional finances for research on medication and vaccination, improved organization of the health service),
- stimulating consumer demand (in Poland e.g. removing restrictions on retail activities on Sunday and public holidays, and abolishing sales tax),

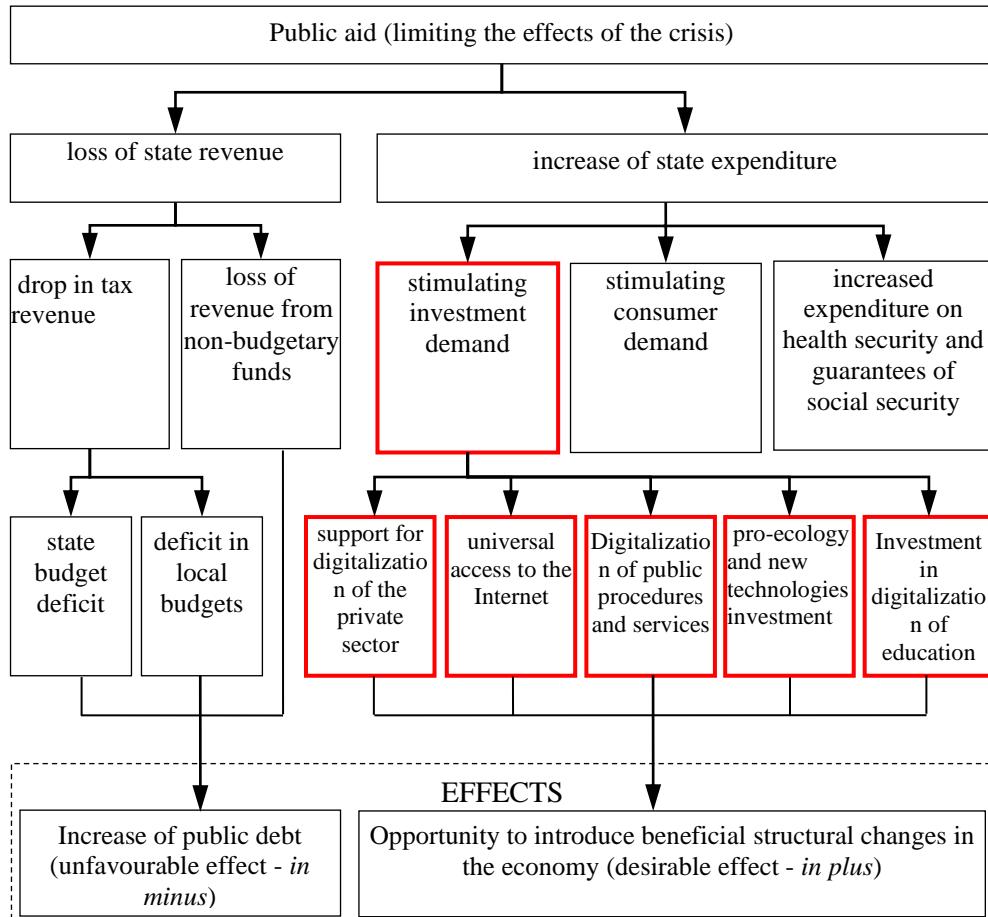
- stimulating investment demand (e.g. public investment in creating universal access to the Internet, digitalization of public procedures and services, supporting the digitalization of the private sector from public funds, public investment in digitalizing education and in pro-ecological enterprises, and the development of renewable sources of energy and technologies of the future).

Poland and the EU as a whole, need modern and innovative investment prompted by the global pandemic as well as the requirements of the modern world. This innovative tendency has been visible for a long time in the formulated development strategies for the EU (e.g. the Lisbon Strategy, Europe 2020), which during the last twenty years have signalled the need for stimulating growth to increase the long-term competitiveness of Europe through growing innovativeness, and favouring social and environmental balance in economic activity. As a result of the pandemic and the thus availed public aid, the EU (and Poland) can emerge from the present crisis with a modernised economy owing to cleaner and more effective technologies, desirable changes in the climate and the natural environment, and the development of a digital economy (Impuls dla Polski 2020-2022, Lewiatan, 2020). This will allow to build up the EU economy to become more resilient to future crises, among others, through the consolidation of its internal market and the diversification of supply chains, while realizing the short-term (i.e. coming out of the crisis and the recession) and long-term (i.e. modernisation of the EU economy and increase of its global competitiveness) objectives. The state, when using public aid as one of the means of fighting against a crisis, is generally convinced about its knowledge of who and what, and to what degree, needs help. This is often erroneous. Public aid:

- invariably leads to the growing indebtedness of the public sector, and the need for its future financing;
- interferes with the rules of the market game, frequently encourages pathology and political corruption, creates a dependence on public support and favours the development of not always transparent lobbying;
- is often inappropriately used – while it is intended to stimulate entrepreneurship and private sector investment, to protect the existing and create new jobs, frequently it does not reach the right destination;
- public aid disrupts the natural process of ‘market clean-up’, as it quite often provides assistance for entities in bad financial condition, the so-called ‘zombie companies’, prolonging their inevitable agony yet ultimately not rescuing them.

Any crisis, besides its many negative effects, has also some positive ones because it may have a ‘purifying’ character by eliminating from the market ineffective companies, and can provide a stimulus for opening up new directions for growth, and inspire changes of stereotypes in thinking and behaviour. The 2020 crisis and public aid allocated to soften its effects must not be wasted. This can be used to build a competitive advantage of the economy, stimulate pro-growth and pro-environment investment, as well as bring change in social and economic life.

Figure 10. Economic effects and aims of public aid



Source: Own elaboration.

When finally the COVID-19 pandemic comes to its close, nothing will be the same any more and the world will inevitably change. The greatest error which can be made today is to return to the old ways of living and doing business – the destruction of the climate, technologies overexploiting natural resources and excessive consumption. Should it prove possible to use the crisis caused by the 2020 pandemic to push the world in the right direction for development, it could mean that the current crisis is not just a hard lesson but also a gift for society. Will the world take advantage from this opportunity? Will the future be brighter?

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