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ECONOMIC CRISES – CAUSES, EFFECTS AND WAYS TO OVERCOME

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Purpose: The aim of the research undertaken in the article is to review the greatest crises of modern times, starting from 1997, when the Asian crisis broke out, to the last global crisis, which was the pandemic crisis. In particular, the causes, effects and ways of overcoming crises were analyzed.
Design/methodology/approach: The article consists of literature studies, which review publications on the greatest crises that have affected the economy in recent years. The research allowed us to determine the scale of subsequent economic crises occurring in global economies in recent years.
Findings: During the research, an attempt was made to identify the causes, effects and ways of overcoming crises
Research limitations/implications: Based on the research conducted, implications for the future can be identified. They may concern stimulating selected elements of the economic environment in such a way that it would effectively translate into positive effects for the economy.
Practical implications: The practical implications of the obtained results may concern the further use by decision-makers of appropriate instruments, which, introduced in times of crises, brought positive effects for the economy. Using them in post-crisis conditions, or building similar tools on their basis, may bring the desired economic effect. Examples include monetary or fiscal policy instruments.
Social implications: What will be the impact on society of this research? How will it influence public attitudes? How will it influence (corporate) social responsibility or environmental issues? How could it inform public or industry policy? How might it affect quality of life? Not all papers will have social implications.
Originality/value: The article compares the crisis conditions that occurred during recent major economic crises. The value of such research is the ability to stimulate positive economic effects by using the same or modified tools that were used during the crisis.

Keywords: pandemic crisis, Asian crisis, Russian crisis, financial crisis, economy.

Category of the paper: Research paper.

1. Introduction

The pandemic crisis is one of the last major crises that the modern economy has had to face in recent years. In 1997, the Asian crisis broke out, followed by the Russian crisis in 1998 and the global financial crisis in 2008. Each of these crises has had significant effects on the global economy, in particular causing serious economic consequences. Taking into account these circumstances accompanying the greatest crises, the purpose of the research undertaken in the article was determined. The aim of the research is to review the greatest crises of modern times, starting from 1997, when the Asian crisis broke out, to the last global crisis, which was the pandemic crisis. In particular, the causes, effects and ways of overcoming crises were analyzed.

The article is based on literature studies, which included a review of publications on the greatest crises that have affected the economy in recent years. The research allowed us to determine the scale of subsequent economic crises that have appeared in recent years in world economies, determine their causes, effects and indicate ways of combating them.

2. The concept of crisis

In today's times, characterized by high uncertainty, business activity is associated with constant risk. In such conditions, crises are no longer perceived as states of emergency, but are an inherent feature of the modern economy.

The word crisis is one of the most frequently used concepts nowadays (Barton, 1993). It comes from the Greek "krino" and means a turning point, a breakthrough, a decisive moment, a qualitative change in a system or in a system (Dictionary of foreign words, 1980). The word "crisis" in English expands the meaning of this concept to include such features as suddenness, traumatic nature and subjective consequences of trauma in the form of negative experiences. Generally speaking, a crisis can be defined as a sudden or growing event, threatening human life, health, property and the environment, countering which requires the involvement of forces and resources that sometimes exceed local capabilities (Kitler, Wiśniewski, Prońko, 2000). A similar definition is provided by Otwinowski: a crisis is the culminating phase of a growing threat situation, arising as a result of unexpected circumstances. In this phase, the dominant role is played by the fact of a real or perceived loss of control over the developing situation and the lack of a concept for controlling it (Otwinowski, Crisis and crisis situation, 2010). According to Kopaliński's dictionary, a crisis is a moment, a period of breakthrough, crisis, decisive turn, a period of economic collapse (Kopaliński, 1968).

Crises most often have several causes, with one predominating, which is the basis for the crisis and at the same time may be a turning point towards improving or worsening the situation. The crisis intensifies as existing problems worsen or new ones emerge. This situation is most often accompanied by general destabilization and the so-called domino effect. Moreover, Clarke states that a crisis is the result not only of the danger itself (threat to a basic value), but above all of the circumstances in which it occurred. Most likely, in other circumstances, the same threat would not mean that we or our organization would be in crisis. There are many different categories of crises. We may be dealing with a social, economic, economic, ecological, political, military crisis, etc. (Goldstein, Razin, 2015.). Regardless of the type of crisis, certain common features of this type of situation can be identified. First of all, in each case we are faced with limited decision-making time. There is also an element of surprise here - we cannot fully predict what the consequences of the decisions made or the solutions used will be. In a crisis situation, managers work under strong time and environmental pressure. In addition, other typical features of crises can be indicated, including (Conference Materials, 1998):

- surprise,
- information deficit,
- delayed reactions,
- events are becoming more and more dangerous,
- loss of control, real or perceived,
- threat to interests,
- increase in mental tension,
- meticulous external control (media, public opinion),
- the formation of the mentality of the besieged,
- panic,
- interruption of normal decision-making processes.

Every crisis is a challenge to society's sense of normality, tradition, values and security. In recent years, we have experienced several significant economic crises that have had repercussions on the global economy. The first of them was the Asian crisis that broke out in 1997 and the Russian crisis that followed it in 1998. Ten years later - in 2008, the global financial crisis occurred. However, in 2020, a pandemic crisis broke out.

3. Asian crisis

The 1997 Asian crisis was an economic phenomenon that affected many countries in East and Southeast Asia, such as Thailand, Indonesia, Malaysia, the Philippines and South Korea. It began with the devaluation of the Thai baht in June 1997. This triggered speculative transactions in other currencies in the region, linked to the US dollar (World Bank, 1998). As a result, currency rates fell by over 50%, and the value of assets of enterprises from the above countries listed on stock exchanges decreased sharply (Alba, Bhattacharya, Claessens, Hernandez, 1998). However, the causes of this crisis were more complex and varied depending on the country. The phenomena that are also the factors driving the Asian crisis include: (Pisany, 2020):

- excessive debt in foreign currencies that became increasingly difficult to repay as domestic currencies weakened,
- trade imbalance, consisting of excessive imports and insufficient exports, which resulted in a current account deficit,
- weakness of the banking system and financial supervision, which allowed abuses, corruption and inefficient allocation of capital,
- rigid currency systems that maintained artificially high exchange rates and limited the flexibility of monetary policy,
- too fast economic growth, which led to overheating of the economy and the creation of a speculative bubble.

The Asian crisis led to the bankruptcy of many enterprises and banks, increased unemployment and poverty, and a decline in GDP and economic confidence. The crisis also had negative effects on the global economy, especially Japan, the United States and Europe (Chang, 2017). The 1997 Asian crisis was an important lesson for the region and the world, demonstrating the need for better risk management, greater transparency and international cooperation. The crisis also resulted in a change in the economic development model in Asia, which became more sustainable, diversified and based on domestic demand. Most countries affected by the crisis turned to the International Monetary Fund (IMF), which provided them with loans in exchange for introducing strict adjustment programs. These programs included increasing interest rates, cutting public spending, privatization and liberalizing markets. Thanks to such aid, many countries managed to rebuild and achieve high economic growth in the following years.

4. Russian crisis

Immediately after the Asian crisis, in 1998, there was a Russian crisis. It was an economic phenomenon that affected Russia and other countries after the Asian crisis. The crisis began with Russia's failure to repay its foreign debt in August 1998, which resulted in the devaluation of the ruble, the collapse of the securities and banking markets, increased inflation and poverty, as well as a political crisis (Melich, 2000). The causes of this crisis also include:

- excessive debt in foreign currencies, which became increasingly difficult to repay as the domestic currency weakened,
- trade imbalance of excessive imports and insufficient exports, which resulted in a current account deficit,
- weakness of the banking system and financial supervision, which allowed abuses, corruption and inefficient allocation of capital,
- rigid currency systems that maintained artificially high exchange rates and limited the flexibility of monetary policy,
- too fast economic growth, which led to overheating of the economy and the creation of a speculative bubble (Domańska, 2017).

In order to contain the crisis, Russia turned to the International Monetary Fund (IMF), which granted it loans in exchange for introducing strict adjustment programs. These programs included increasing interest rates, cutting public spending, privatization and liberalizing markets. However, some critics believed that these programs deepened the recession and increased social inequality.

The Russian crisis of 1998 was an important lesson for Russia and the world, demonstrating the need for better risk management, greater transparency and international cooperation. The crisis also resulted in a change in the model of economic development in Russia, which became more sustainable, diversified and based on domestic demand. Most economic sectors managed to recover and achieve high economic growth in the following years.

5. Global financial crisis

The 2008 global financial crisis was a worldwide collapse in financial and banking markets that began with the subprime mortgage crisis in the United States. However, the causes of the crisis were much more complex and varied depending on the country and sector. The most important causes of this crisis include (Czekaj, 2010):

- excessive debt in foreign currencies that became increasingly difficult to repay as domestic currencies weakened,
- trade imbalance, consisting of excessive imports and insufficient exports, which resulted in a current account deficit,
- weakness of the banking system and financial supervision, which allowed abuses, corruption and inefficient allocation of capital,
- rigid currency systems that maintained artificially high exchange rates and limited the flexibility of monetary policy,

- too fast economic growth, which led to overheating of the economy and the creation of a speculative bubble,
- widespread use of securitization and credit derivatives to distribute risk and increase financial leverage,
- a significant share in market transactions of an alternative banking system exempt from supervision (shadow banking system).

The 2008 financial crisis had serious consequences for the global economy, including:

- decline in GDP, increase in unemployment and poverty in many countries,
- collapse or takeover of many banks and other financial institutions,
- loss of savings and trust by many investors and consumers.

The countries that suffered the most from the financial crisis include: the United States, European Union countries (including Greece, Spain, Portugal, Ireland, Italy), Iceland, Great Britain, China, Japan, and India. However, the impact of the financial crisis was felt around the world, and its effects lasted for many years after the crisis broke out (Nawrot, 2009).

In order to overcome the crisis, the intervention of governments and central banks was necessary, thanks to which the financial system was saved and economic growth was initiated. A fundamental step taken by many countries was to introduce regulatory and supervisory reforms to prevent similar crises in the future. Regulatory rules have been strengthened and regulators have begun to closely monitor banks and other financial institutions. Capital and liquidity requirements have been increased and the level of investment risk has been reduced. Many countries have also strengthened their deposit protection systems to prevent bank customers from losing their savings. In addition, to reduce the risks associated with excessive debt levels, many countries have taken steps to reduce budget deficits and increase control over spending.

Thanks to the above actions, positive effects were achieved. One of them was that many countries introduced more stringent regulations regulating the financial sector in order to prevent similar crises in the future (Glucksmann, 2008). Moreover, the financial crisis increased people's awareness of the risks associated with investments and other financial aspects, which allowed for better risk management. The crisis also caused an increase in interest in finance and prompted many people to deepen their knowledge in this field. As a result of the financial crisis, many companies began to look for new ways to survive, which led to increased innovation in many sectors of the economy (Wague, 2009).

6. Pandemic crisis

The pandemic crisis that occurred in 2020-2022 consisted of the occurrence and spread of the infectious disease COVID-19, caused by the new coronavirus SARS-CoV-2. This crisis has had serious consequences for people's health and lives, as well as for the economy, society and politics. In Poland, over 6.5 million cases of infections and over 119,000 deaths due to COVID-19 have been recorded. The most cases and deaths occurred in November 2020 and April 2021 (Central Statistical Office, 2023).

To prevent the spread of the virus, the government has introduced many restrictions and sanitary recommendations, such as wearing masks, maintaining social distance, limiting contacts, closing schools, universities, restaurants, cinemas, theaters, gyms, shopping malls, hairdressing salons, banning gatherings, and restricting movement. on, introduction of quarantine and isolation for infected and suspected infected people, etc. (Economy after pandemic..., 2023).

To counteract the negative effects of the crisis on the economy and society, governments of individual countries implemented appropriate assistance measures. The Polish government adopted several assistance packages, such as the anti-crisis shield, financial shield, sectoral shield, and reconstruction fund (Ścieżki fiskalne po kryzysie, 2023). The total value of these measures amounted to over 400 billion Polish zlotys. Assistance included, among others, tax exemptions and incentives for investment in research, development, and innovation, wage subsidies, unemployment benefits, grants for entrepreneurs, rent subsidies, support for healthcare, education, culture, sports, tourism, agriculture, etc. The fiscal policy pursued by the government.

Directed support for the economy has brought many positive effects. In the case of Poland, the crisis became one of the sources of economic innovation. Assistance packages created conditions for seeking new solutions and adapting to the changing reality. This applies particularly to innovations in e-services, telemedicine, e-commerce, e-education, e-administration, e-culture, e-sports, e-entertainment, e-tourism, and e-work (Kamiński, 2021).

7. Conclusion

Modern times are characterized by great uncertainty, lack of complete information and constant risk. In such conditions, crisis ceases to be an exceptional state, but becomes a permanent feature of the modern world.

The article reviews the conditions in which the greatest economic crises in recent years occurred. As a result of the analysis, the causes and effects of these crises were detailed and what actions were taken to combat the crisis were indicated. Included are the 1997 Asian crisis, the 1998 Russian crisis, the 2008 global financial crisis and the pandemic crisis. It was indicated that many actions taken to combat the crisis brought far-reaching economic effects. In addition to eliminating the crisis, some of the instruments used had a positive impact on the revival of the economy, reduction of financial risk, increase in the level of innovation of the economy, etc. Thanks to this, the perception of the crisis situation has changed only in terms of a threat, but we perceive it as a causative factor of new production, service and organizational solutions. The value of such research is the ability to stimulate further positive impact on the economy by using the same or modified tools that were used in the analyzed crises.

Based on the research conducted, implications for the future can be identified. They may concern stimulating selected elements of the economic environment in such a way that this would effectively translate into improving the economic parameters of the economy. The practical implications of the obtained results may concern the further use by decision-makers of appropriate instruments, which, introduced during the crisis, resulted in an increase in production, an increase in the innovativeness of the economy, and a reduction in risk. Applying them in post-crisis conditions, or building similar tools on their basis, may bring the desired effect in the economy. Examples include monetary or fiscal policy instruments.

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