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ANTI-CRISIS ACTIONS OF GOVERNMENT AND CENTRAL BANKS

Abstract

This work presents the phenomena of crisis as based on its definitions in psychology, psychiatry and economics, describes the phases of economic cycles as well as the forms in which crisis may occur. Various instruments used in anti-crisis actions of states are discussed with a distinction between those applied by governments and central banks. The empirical part deals with characteristics of anti-crisis instruments as used by selected EU countries.

Key words: Anti-crisis actions, crisis, instruments of the Anti-Crisis Actions, anti-crisis actions in the EU.

1. Introduction

Although crisis in economy is an objective phenomena, sometimes it is too strong and therefore needs to be solved with the state's assistance. Despite its common use, this category has no uniform definition. The notion of crisis is mostly developed in psychology and psychiatry from which the knowledge and experiences are applied to the economy. The mechanisms mostly used by governments and central banks are of interventionist character and take forms of various anti-crisis actions. The actions taken by governments and central banks are implemented through the use of various instruments. The specific characteristic of such anti-crisis instruments is that they are an autonomous domain of states and the only possible way of reacting in a situation where the market fails.

This paper aims to define crisis in the economy, to identify the instruments used by governments and central banks and to describe the characteristics of these actions.

The thesis of this work is that governments and central banks counteract the crisis by means of various anti-crisis action instruments.

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The first part of this article deals with the definition of crisis as a psychological and psychiatric phenomena. It is followed with the description of the phases of an economic cycle, the definition of an economic crisis and its various forms. In the second part various instruments used in the state anti-crisis action are presented, with distinction between the instruments of governments and those of central banks. The third part contains characteristics of anti-crisis instruments (saving measures of the public sector, changes in tax rates, stimulation packages, initiation of public works, warranties and bank capitalizing among others) with the examples of selected EU countries. The object of the research was the use of the existing anti-crisis instruments in anti-crisis actions carried out in the selected EU countries. The subject of this research were the following selected EU countries: Hungary, Greece, Ireland, Portugal and Poland, all of which have applied these instruments in their anti-crisis actions. The method used in this work was mainly analysis of existing literature, reports and statistical data related to the subject of work. The ration of public debt to GDP is used in this work as the measurement of public finance debt. This article refers mainly to the debt crisis in Europe and, to a lesser extent, also to the economic and social crisis. The countries, on which this work elaborates in the third part, were the ones which turned to the EU for help as they were the ones mostly affected by the crisis. In these countries various instruments were applied on different levels in a specifically active manner. Poland was chosen as an example of a country that did not use EU assistance programmes. It needs to be clarified that some of these countries managed to rely only on their own internal financing for their anti-crisis actions, and others had to use the external assistance in the form of the EU assistance programme instruments (EFSM, EFSF).

The sources used for this work include subject literature, scientific and expert publications referring to the issue of crisis and anti-crisis actions undertaken in 2007-2012, reports and publications of European and country-level institutions as well as internet websites which deal with the subject of this article.

2. Crisis as a phenomenon in psychology and the economy

The word crisis is one of the most used words in science as well as in everyday life. It is a fashionable word, overused in the context of human poverty, suffering and pathology.

It may denote suffering but also a way of life in its social, economic as well as political meaning. The origins of the word *crisis* may be traced down in the Greek language, where it has positive connotations. It means a turning point in sickness, a decisive moment in a tragedy, a time of peril. It means a shock, but one leading to a breakthrough which can be achieved by choice, a solution

(presumably successful, effective). Among various usage of this word in social domains of life the dominant meanings are those of a crisis of values, crisis of family, crisis of international relations, crisis of identity as well as crisis of public finances.

Psychology and psychiatry are two scientific domains particularly prolific in conceptualising definition of crisis. The article written by E. Lindemann (1944), regarding symptomatology and treatment of acute illness, is particularly appraised in this respect [Lindemann 1944, nr 101]. This work provides a regular description of the experience of undergoing an extremely traumatic situation. It promotes crisis intervention as a form of assistance to grief-stricken people. This category became defused to all areas where the occurrence of crisis has been diagnosed, such as: barriers in achieving important professional goals, failures in overcoming life difficulties, feelings of lacking control over one's life .

L.M. Brammer (1985), who is a psychological assistance practitioner known in Poland, defines crisis as a state of disorganization, in which people experience frustration in reaching important life goals or deep disturbance in their life cycles, as well as failure in their ability to deal with stress. The consequences of such disturbances, namely fear and shock, are the focus here rather than simply disturbance itself . Several American authors of a manual on crisis intervention defined crisis as a way of perceiving a certain event or a situation of unbearable difficulty so as to require methods and mechanisms of dealing with it which exceed those available to the affected person. Unless the person experiences relief, this crisis may cause serious disturbance in functioning in affective, cognitive and behavioural areas [Gilliland and James 1993]. A more contemporary psychological concept defines crisis as a temporary state of internal imbalance, triggered by a critical event or life events requiring considerable changes and solutions [Badura-Madej 1996]. The evaluation of these concepts leads to the conclusion that the essence of crisis is not the traumatic event or difficult situation but one's subjective reaction to it. It is expressed by a specific perception, emotional and sensitive reaction which are the basis of crisis behaviour. The optimism of such situations lies in intervention actions! Therefore, W. Badura-Mazur points out that, among other issues, crisis theory is an optimistic theory [Badura – Madej, wyd. cyt.].

The authors of psychological concepts of crisis underline the following points as characteristic of this phenomenon [Gilliland and James 1993]:

- The presence of threat as well as odds;
- complicated symptomatology;
- the presence of the seeds of growth and change;
- the necessity of making a choice, decisions regarding further actions;

- universality (commonality, imbalance, everyone can get into a crisis) and idiosyncrasy (a problem seemingly difficult for one person is an absolute catastrophe for another, despite the fact they face the same situation and, thus, confirming the subjective character of crisis).

The strategy of intervention (assistance) should be directed towards minimizing the experience felt by a person in a state of crisis. The most important actions in the mechanism of crisis are: registry of basic ways of coping with difficult situations, searching for information, assistance, keeping up appearances, communicating, avoiding and waiting till the end. In the selection of coping methods the educational aspect is more important than the therapeutical.

The expanded crisis theory indicates that the properties and ways of acting on higher organizational levels cannot be explained by summing up the properties and ways of acting, their components being measured separately. However, if we know the set of components and the relations between them, higher organizational levels can be explained through their elements. Then the systems remain in mutual relationships with other systems.

This type of crisis conceptualisation is very useful for defining and selecting intervention methods in relation to the economy and its subjects. The economy develops in so called economic cycles. These cycles mean that there are fluctuations in various economic parameters which characterise levels of an economic cycle. These cycles began to occur first in countries possessing the most highly developed capitalistic systems (first in England, then in the USA). Sometimes they originated in one economic branch, for example in US agriculture. Later on, as a result of industrialization. Economic cycles are neither regular, nor uniformly strong in all branches of the economy. It may happen that one branch functions well whereas other branches go through crisis).

An economic cycle is a macroeconomic element and repeats itself periodically. There are two types of economic cycles: classic and contemporary. A classic economic cycle consists of four phases: proper crisis, subsequent recession, recovery and expansion. The proper crisis phase is characterised by a sudden decrease in economic activity. The assumed causes behind the crisis are: supersaturation, overproduction, a sudden drop in prices of goods, services and wages, exchange rates of securities, lack of liquidity, an increase in unemployment, bankruptcy of many enterprises and especially small ones. After the crisis phase there is depression, which is characterised by stabilisation of economic activity on a low crisis level. Decreasing tendencies are curtailed, large-scale unemployment still persists, there is a general stagnation and there is no increase in economic activity. An increase appears only in the recovery phase, which manifests itself with an increase in production plus an improvement in all other rates of the production processes. Following the recovery phase, there

is an expansion phase, which is characterised by an increase in production, prices, employment, wages, profits and other incomes. The normal complete cycle is the period between two subsequent crises which encompass the four phases described above. Based on observations it may be stated that the normal cycle may take between 4 to 11 years [Rutkowski 1972, s 464].

A contemporary economic cycle consists of two phases: expansion and recession. This cycle is characterised by a lack of deep crises caused by the countercyclical influence of the state. In the economy expansion is distinguished by an increase in production and recession by stagnation leading to economic slowdown measured mostly by GDP. The recession is short-lived and appears in an economic cycle [Famielec 2010, s.327]. Recession is caused by credit expansion taken by the banking system without proper support from other business entities not usually interested in increasing their savings [Huerta de Soto 2009, s.302].

In classical literature, crisis is described as a symptom of the particular accumulation of all economic contradictions typical for a capitalistic economy. In the crisis phase there exist phenomena which lead in consequence to the economy achieving another state of 'balance'. As a result of overproduction current increments in production decrease, which leads to a reduction in their reserves. Decreasing production is also favoured by functioning of lower prices which facilitate the sales of surplus goods. A decrease in prices is helpful for overcoming a crisis, while a decrease in production costs and improvement of the production process leads to an increase in demand for new means of production. Depreciation of fixed capital is a result of capital use and causes the necessity of its renewal. This leads to a recovery in production and employment. Economic activity is restored and transformed into an economic boom, which usually ends after some time with a new crisis [Grabowski 1971, s 324]

Within the economy the following forms of crisis may be distinguished: an economic crisis – characterised by lowered standards of living; a financial crisis (debt-related) – consisting of excessive indebtedness measured as a value of public debt to GDP; a political crisis – which may manifest itself with a break in completion of certain policy; a social crisis – as a phenomena of overlapping social tensions and conflicts. Often the above mentioned phenomena occur simultaneously, forcing the state to provide assistance [Rybiński 2012, s. 70].

The main focus of this work is the financial crisis (public finance crisis). It denotes a situation where the stability of the public finance of the state is at risk and where effective use of fiscal instruments becomes very problematic.

3. Instruments of Anti-Crisis Actions of Governments and Central Banks.

A crisis, from both a psychological and economic perspective, requires taking remedial measures. Looking from the latter perspective, such measures may be taken by governments and central banks which have adequate instruments for anti-crisis actions at their disposal.

The assistance of various units, including states, is a natural element accompanying a crisis especially when the market system fails.

Market failure is a situation in which the application of market mechanisms does not bring the desired effect. Unsuitable and ineffective allocation of resources occurs and thus the necessity occurs to correct some of the effects of the market mechanism, such as: ineffectiveness (imperfect competition, monopolies, negative external effects), inequality of earnings, instability of the economy (recession, economic fluctuations, low pace of growth, unemployment) [Drozdowicz 1998].

In the period of free-competition capitalism the economic role of the state was very small because of the self-regulating mechanism of the economy which restored the disturbed balance. The economic policy of contemporary capitalist states requires the application of active assistance measures [Rutkowski, wyd. cyt.] in a situation where the market fails. The issue of state's participation in the economy, especially of the active stabilization policy, was addressed earlier by Keynes. He is also the author of the theoretical bases of state interventionism, which is defined as the excessive activity of state (government, state's administration) consisting of creating an institutional environment for the actions of various entities of the social domain. In a contemporary economy we can distinguish three basic functions of the state: allocation, redistribution and stabilization. Allocation constitutes taking actions leading to the optimal allocation of economic resources through development of economic and social infrastructure, structural and preventive policies. Their redistribution and stabilization functions are related to the macroeconomic policy of the state. Their role is: to limit recession, unemployment and inflation; to maintain high economic growth in the long term and market equilibrium. The macroeconomic role of the state is fulfilled within the framework of fiscal and monetary policies. Fiscal policy, called also budgetary policy, consists of regulating the level of taxes and state expenditures. Fiscal policy, on the other hand, ensures financing public expenditure and functioning of the tax system. Macroeconomic policy aims to achieve economic growth, stabilization of prices, countering unemployment and inflation, equilibrium in the balance of payments as well as the effective

division of economic resources [Drozdowicz wyd. cyt.]. The state carries out anti-crisis actions through specific policies included within the scope of economic policy [Informacja dotycząca...2009]

- budgetary policy of the state encompasses state actions related to expenditures and revenues, regulating their levels, structures and mutual proportions. This policy aims at decreasing the budget and looking for budgetary savings or increasing the budget deficit and financing the stimulating anti-crisis actions at its expense;
- tax policy focuses on simplification of the tax system, limiting or increasing the tax loads on persons and business entities, as well as reducing or increasing the tax rates;
- investment policy consists of actions taken through state investments, including the creation of a strong public sector by investing in certain domains of economic life aimed at, among others, increasing employment without increasing the supply of goods and services;
- social policy aims at solving social problems which might be related to unfavourable economic phenomena;
- structural policy entails supporting and protecting the small to medium size enterprises sector as well as regions especially exposed to the effects of crisis;
- guarantee-crediting policy is aimed at stimulating consumption and investment demand. It leads to improvement in the availability of credit by undertaking appropriate actions and by expanding the warranty and guarantee system in order to increase confidence in banks and a larger turnover.

Within the above mentioned specified policies, the state uses anti-crisis action instruments. These may be implemented by governments or central banks, and as such are presented in Table 1.

Table 1. Anti-crisis actions instruments of government and central banks

GOVERNMENT	NAME OF SPECIFIC POLICY	INSTRUMENTS OF ANTI-CRISIS ACTIONS
	budgetary	• saving actions of the public sector
	tax	• tax exemption; • tax allowance; • change in tax rates;
	investment	• public investments. • initiation of public works;
	social	• support for self-employment; • legalization of work; • maintaining work places; • employment support programmes.
	structural	• guarantee package for entrepreneurs; • foreign investment financing; • aid packages for SMEs; • reducing worker's social insurances paid by employers; • accelerate depreciation write-offs when purchasing investment funds; • stimulating packages; • subventions; • subsidies.
CENTRAL BANK	Guarantee-crediting	• providing banks with capital; • bank guarantees; • interbank transaction warranties.

Source: compiled by L. Kryskova, based on: [Informacja dotycząca działań antykryzysowych podejmowanych w wybranych krajach świata, Ministerstwo Gospodarki, Warszawa 2009]

Apart from the above mentioned instruments, central banks may also apply active monetary policy using its tools to counter excessive economic fluctuations. These monetary policy tools include: open market operations, setting up purchasing power and interest rates adequate to the economic situation. The extraordinary influencing measures of central banks do not mean the creation of new instruments of monetary policy. These should be treated as separate methods which use the existing tools in more flexible manners, allowing for more accessibility and frequency of their use as well as cooperation among various participants of the financial market [Szambelańczyk 2011, s.24].

State interventionism results from failures of market mechanisms and is both supported and discouraged by economists. Opponents believe that the state should care for economic growth and not provide assistance. Due to the

status held by the state in the economy and the tools that it has at its disposal, the role of the state is one of initiator of anti-crisis actions. These actions are indispensable for restoring balance to the disrupted market.

State intervention may be in the shape of plans and programmes which include a wide spectrum of measures addressed to specific sectors and social groups. They might also take the form of a set of a few instruments applied in a parallel way by the government and central bank in order to create a certain effect in the economy. The assistance provided by governments and central banks to counter a crisis should be understood as action programmes proclaimed by organizations of regional, international as well as global character, meant to be implemented by member states. These action programmes may act as guidelines, directives or may determine the direction for future alterations [Kawa 2012, s 78]. These actions are commonly known as anti-crisis instruments.

Anti-crisis actions should be also understood as initiatives undertaken on the international level in the form of special programmes and packages created by governments of various countries and organizations. It refers especially to countries which are, for example, tied together by economic or monetary cooperation.

On the international scale, some tendencies to reinforce control over financial markets may turn up within anti-crisis actions. These tendencies may also encompass newly proposed institutional solutions, long-term actions with the perspective of the world economy's returning to a growth pattern, financial transfers for the benefit of sectors mostly affected by crisis, use of the current crisis conditions for implementing corrections of economic processes towards innovation and economic effectiveness [Antykryzysowe programy...2011].

4. Characteristics of anti-crisis actions in the EU

For the analysis of specific cases of anti-crisis actions only those countries chosen which were most at risk and applied for external help: Hungary, Greece, Ireland and Portugal. Additionally, Poland was chosen as an example of a country which did not have to apply for such assistance.

The economic crisis from 2008 triggered disadvantageous occurrences in the European Union because the economies of highly developed countries are interconnected and dependent upon each other at various levels. The European Union was negatively affected by the results of the world crisis, which was caused by expansive policy, securitization, insufficient quality in risk management by banks and other financial institutions [Oręziak 2009, s. 119] This situation lowered the condition of some of the economies of EU member states. Some of them were not prepared to tackle some of the unfavourable

crisis manifestations, such as: economic downturn and decrease in GDP's growth, rising unemployment, a fall in the reliability of financial institutions and crediting policy difficulties related with it. Some of the countries facing these problems could not react themselves, specifically the countries of so called PIIGS group: Portugal, Italy, Ireland, Greece and Spain. Among 27 countries - the member states of the EU – some of them were harshly affected by the debt crisis. In a particularly disadvantaged situation were some of the countries – the members of the Eurozone – which operate under the common monetary policy of the European Central Bank. In some of the EU countries problems within the banking sector occurred, while in others difficulties turned up related to public finances. The problems with banking sectors defused as a result of a 'contamination' from highly developed countries to the less developed. As other segments of the banking sectors became influenced by the crisis, it effected the economy in real terms [Wojtyna 2011, s. 14]. According to K. Rybiński, the problems related to public finance occurred as a result of '*crisis of an excessive indebtedness in the private and public sectors*', which triggered the enormous assistance of governments and central banks for financial institutions [Rybiński 2012, nr 14]. Part of the private sector debt turned into public debt, which began increasing at an alarming rate prompted by the instability of growth and smaller budget revenues. The measuring tool for debt crisis is the ratio of public debt to GDP and is presented in table 2.

Table 2. Public debt in selected EU countries in relation to GDP (in %)

COUNTRY	2007	2008	2009	2010
Austria	57.8	59.3	64.9	65.8
Belgium	85.3	90.1	94.9	96.8
Czech Republic	25.2	27.1	32.5	36.6
Denmark	27.8	32.3	37.9	39.6
Estonia	1.3	1.8	3.6	3.2
Finland	31.2	29.5	37.5	41.7
France	52.1	53.4	61.2	67.4
Germany	39.6	39.6	44.2	44.4
Greece	105.7	110.6	127.0	147.8
Hungary	61.6	67.7	72.8	73.9
Ireland	19.8	28.0	47.1	60.7
Italy	95.6	98.1	106.8	109.0
Luxemburg	1.4	8.2	8.5	12.6
The Netherlands	37.6	50.1	49.7	51.8

COUNTRY	2007	2008	2009	2010
Poland	42.6	44.7	47.0	49.7
Portugal	66.6	68.9	78.7	88.0
Slovakia	28.1	26.3	33.7	39.1
Slovenia	23.2	21.2	33.6	36.0
Spain	30.0	33.7	46.0	51.7
Sweden	36.4	35.6	38.1	33.8
United Kingdom	42.7	61.1	75.3	85.5

Source: [<http://stats.oecd.org> (22.05.2012)]

The data gathered in table 2 lead to the conclusion that the highest public debt in relation to GDP was noted for: Greece (147,8%), Italy (109%), Belgium (96,8%), Portugal (88%), United Kingdom (85,5%). Some of these countries belong to the above mentioned PIIGS group, and were particularly affected by crisis symptoms.

The governments and central banks of specific countries undertook a number of anti-crisis actions, using for these ends instruments adequate to the economic situation. Additionally, as in answer to the deepening debt crisis, in some countries, especially in the Eurozone, the member countries, as well as EU institutions agreed upon an aid package of about 750 billion euros (including loans from IMF of 250 billion euros). Table 3. presents the approved and implemented programmes of financial assistance in the EU countries in the period between November 2008 and June 2011.

Table 3. Anti-crisis action instruments of selected EU countries in 2008 – 2011

Country	Anti-crisis action instruments	Amount in Euro	Financing source	Date of providing the aid
Hugary	<ul style="list-style-type: none"> • saving measures of the public sector; • stabilization package was released for public investments; • pension fee rates paid by employer were reduced (from 32% to 26%); • increase in the CIT rate (from 16% to 19%); • increase in the PIT rate (thresholds from 18% and 36% to 19% and 38%); • increase in the VAT rate (from 20% to 23%); • introduction of a new real-estate tax. 	€ 20 billion	€ 6,5 billion – Balance of Payments Support Instrument; €12,5 billion – IMF; €1 billion – World Bank	2008, payments within 2 years

Country	Anti-crisis action instruments	Amount in Euro	Financing source	Date of providing the aid
Greece	<p>Government rescue plan:</p> <ul style="list-style-type: none"> • budget saving measures, reductions of payments; • increase in taxes; • banks capitalization. 	€ 110 billion	€ 80 billion -loans from countries of the Eurozone; € 30 billions IMF	2010, payments within 3 years
Ireland	<ul style="list-style-type: none"> • savings in administration maintenance costs and in public sector; • increasing the tax deductions for expenditure of enterprises in R&D from 20% to 25%; • full tax exemption in case of new enterprises; • decreasing the tax from commercial real estate transactions from 9% to 6%; • increasing the rate of the basic tax bracket; • bank warranties for € 400 billion; • Allied Irish Bank and Bank of Ireland were capitalised. 	€ 85 billion	€17,5 billion State Treasury and National Pensions Reserve Fund; €22,5 billion - IMF €22,5 billion - EFSM €17,7 billion - EFSM €4,8 billion - bilateral loans	2011, payments within 3 years
Portugal	<ul style="list-style-type: none"> • public investments; • state warranties were granted for interbank loans in amount of € 20 billion, which is 11,7% of GDP; • bank capitalization in amount of € 4 billion; • the warranty sum was increased for bank deposits from €25 000 to €100 000. 	€ 78 billion	26 billion -EFSM 26 billion -EFSM 26 billion -IMF	2011, payments within 3 years
Poland	<ul style="list-style-type: none"> • increasing the limit of guarantees and warranties for economy and financial market; • creation of additional, secured credit action for the sector of SME; • increasing investment relief for SME; • accelerating the realisation of projects co-funded by EU; • reduction and simplification of taxes: introduction of two-scale PIT, tax reform. 	PLN 91,3 billion	Stability and Growth Pact	2009

Source: Compiled by L. Kryskova, based on: [Wancio 2011, nr 3 and Informacja dotycząca działań antykryzysowych podejmowanych w wybranych krajach świata, Ministerstwo Gospodarki, Warszawa 2009]

As is evident from the data in Table 3, countries resorted to various anti-crisis instruments. These actions were aimed at, among others, banking and finance sector, the real terms economy, legal actions, informative actions, financial transfers and were used in various periods of time. Moreover, instruments included in the specific policies were also used: budgetary policy (Hungary, Ireland, Greece), tax policy (Poland, Hungary, Ireland, Greece), investment policy (Hungary, Ireland), social policy (Hungary, Ireland), structural policy (Poland), guarantee-crediting policy (Poland, Portugal, Ireland and Greece). The level of financial help and the source of financing were depending on the scale of the problem in a particular country. The countries which received the highest aid level were: Greece (€110 billion), Ireland (€85 billion) and Portugal (€75 billion). In order to coordinate and successfully implement these actions there were two new instruments temporarily used, which served to protect the financial stability in some EU countries (according to table 3 these countries included Greece, Ireland and Portugal) [Wancio 2012, nr 2]:

- European Financial Stabilisation Mechanism (EFSM), which was formed on the basis of the EU Council directive of 11th May 2010. Financial assistance from EFSM was to be directed to all excessively indebted member states of the EU, but only those EU countries which did not belong to the Eurozone could use the balance of payments support instrument. The support was to be granted as a loan for the amount of €60 billion with EU budget's collateral.
- European Financial Stability Facility (EFSF), which is a special bond-issuing vehicle. Its role consisted in facilitating quick and efficient reaction in case of financial crisis in one of the Eurozone countries, as well as in preventing the crisis spillover into other countries of the Eurozone. It was established in the form of a limited liability company. It acquires financial means for providing assistance for the Eurozone countries by issuing its own bonds and other debt instruments, and it receives guarantees from the countries of the Eurozone (as well as Poland and Sweden) to cover its debts. The total amount of the guarantees is €440 billion and consists of the countries' contributions calculated proportionally to their paid-up capital shares in the European Central Bank.

Moreover, due to the need for a complex solution to the financial crisis in the Eurozone and a quick and effective reaction in case of crisis occurrence, a new permanent institution was formed: European Stability Mechanism (ESM). It will start functioning when the two currently operating instruments will expire, i.e. June 2013. It will service the part of loans which have not been paid nor financed as well as unpaid-off bonds. It will cease to operate when the assistance granted to the EU Member States is fully paid off and when ESM meets its own liabilities incurred by issuing of financial instruments. [Wancio, wyd. cyt].

The assistance for the indebted EU countries described above raises a lot of controversies. The presented mechanisms EFSM and EFSF are supposed to help the most indebted countries of the Eurozone, including Greece, which received the biggest support from EU, as well as the whole EU economy. Unfortunately, not all of the assumptions of this strategy brought about desired effects. The critical situation of Greece caused the necessity for preparation of another aid packages, if which part comes from the Eurozone and IMF as well as from the private sector. In 2012 Greece, after long negotiations, received second aid package in the amount of €130 billion. As it was mentioned before, the total amount channelled in assistance for the EU countries reached €750 billion, unfortunately, in comparison to the public debt of the most indebted countries in 2011 (Greece: €352 billion, Portugal: €174 billion, Spain: €737 billion) the level of the assigned assistance is not very impressive [Wypłosz 2011, s. 18]. The measures taken by the EU does not fully solve the problems, however, most probably, they postpone the unavoidable consequences.

According to the treating which regulates functioning of the European Union, both the EU as well as the member states are not accountable for liabilities incurred by another member state. According to this law, countries which indebted their economies to high levels have no rights to demand financial assistance from other member states. The above mentioned treaty allows only for the possibility to grant financial assistance to a member state which struggles with difficulties caused by extraordinary circumstances beyond its control, for example due to natural disaster. In the Greek case, no such circumstances occurred, moreover, the situation was not caused directly by external factors, such as world financial crisis, global recession or speculative actions. Notwithstanding all this, the countries decided in favour for financial support. This decision to grant and continue assistance for Greece may become a dangerous process for all the Eurozone. It may lead to a situation where other EU member states will also count for EU support and this in turn may contribute to a reduced fiscal reliability of all the Eurozone, higher inflation pressure and to weakening of the value of money [Tendera-Właszczuk 2011, s 48-49].

Overcoming a crisis depends most of all on the will and discipline of the affected countries, determination and consistency in reform implementation as well as on fiscal consolidation. The changes introduced by governments lead to social discontentment, on the other hand the financial assistance from the other member states of the Eurozone is treated also as an act of solidarity, apart from its strictly supportive meaning. The debt crisis in the European countries disclosed partly the lowered confidence in the authorities of the Eurozone and in the manner of its management, which spurs dilemmas as for the appropriateness of the renewal and further support by the assistance programmes. Support for

the countries at risk affects negatively the entire Eurozone, also the currency. Some of the countries remain still patient and solidary, however the rising social discontentment from co-financing others may lead some countries to question their participation in the next programmes or assistance actions, especially when considering that some countries have the right to refuse to participate in money lending under certain circumstances.

5. Conclusions

The aim of this work was to define crisis in the economy, to identify the instruments of government and central banks and to provide their characteristics. Various anti-crisis instruments applied by states were researched and presented here. The specific case studies used referred to the following EU countries: Hungary, Greece, Ireland, Portugal and Poland. Additionally the EU assistance package and its instruments (EFSM, EFSF and ESM) were described. These instruments were used to protect stability in some of the EU countries. From the conducted comparison a conclusion may be drawn that governments and central banks of individual countries applied a number of anti-crisis actions by means of instruments adequate to the situation of their economies. For instance, in Portugal the instrument used was bank capitalizing and in Poland the guarantee and warranty limits were increased for the economy and the financial market. Moreover, it was noticed that the values of packages as well the financing sources for the preventive anti-crisis actions were very diversified. These actions applied to the banking-financial sector, the real term economy, legal actions, informative actions, transfers of financial means, among others, and were undertaken in different time periods.

The anti-crisis instruments described in this article were used by the EU member states between 2008 and 2011.

The result of the conducted analysis is the identification of the specific policies and their instruments applied in the cases of such EU countries as: Hungary, Greece, Ireland, Portugal and Poland. The evaluation of this applied measures on the EU level, due to the specific nature of this question, should be the subject in a separate discussion as it is difficult to unambiguously state if the anti-crisis actions applied by governments and central banks are effective. Such results may be evaluated only with a long-term period, as according to many economists, fighting for the stability of the financial systems still continues. Additionally, the following questions should be also addressed in future research on the subject of crisis, when state intervention should begin, how long it should continue, what should be its scope and level and in which countries it should be applied.

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