THEORETICAL PROBLEMS OF ANTICRISIS POLICY: CHALLENGES AND CONSIDERATIONS

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Introduction. In times of economic turmoil and crisis, policymakers often turn to anti-crisis policies to mitigate the adverse effects and restore stability. These policies encompass a range of measures aimed at addressing the root causes of a crisis, stimulating economic recovery, and safeguarding against future crises. However, implementing effective anti-crisis policies is not without its challenges. This article explores some of the theoretical problems associated with anti-crisis policy, highlighting the complexities and considerations that policymakers face.

Research methodology. The theoretical and methodological basis of the research is the studies of domestic and foreign authors on the economic crises, their causes and challenges and the works of representatives of various economic theories. In particular, the information base of the research includes the assessments and theses given by analysts and researchers of the World Bank, the International Monetary Fund, the International Labor Organization and other international organizations regarding the economic crisis caused by the pandemic.

Data collection and grouping methods were used for the study, using information summarized in specific source differences. The methodology of this research is also based on the summary of the historical and the logical, which makes it possible to compare the evolution of economic crises and external threats to the economy and the factors affecting their formation with other similar processes. This approach allows to observe the existing economic threats and their features also in the current period.

Literature review. Economic theories evolve over time, and there are always newer perspectives or revisions. New theories and ideas continue to emerge as researchers and policymakers explore innovative ways to address economic challenges and promote sustainable development. The field of anti-crisis economics is no exception and some emerging theories have gained attention in recent years.

Modern Monetary Theory (MMT): Bernie Sanders, Stephanie Kelton and others challenge the traditional understanding of fiscal and monetary policy. It argues that countries that issue their own sovereign currency can continue to borrow and spend as long as inflation remains low. MMT emphasizes the role of fiscal policy, suggesting that governments can finance necessary spending by creating new money. According to proponents of MMT, governments should focus on achieving full employment and controlling inflation rather than being constrained by traditional notions of budget deficits and debt-to-GDP ratios [Chohan, Usman, 2020].

Green New Deal: Alexandria Ocasio-Cortez, Thomas Piketty proposed economic stimulus package that aims to address both climate change and economic inequality. Inspired by the New Deal of the 1930s, it calls for massive public investments in renewable energy, infrastructure, and job creation to transition to a low-carbon economy. The Green New Deal seeks to simultaneously tackle the urgent issue of climate change while fostering economic growth and reducing social disparities. It envisions a shift toward renewable energy sources, energy-efficient buildings, sustainable transportation, and the creation of green jobs [Usman, 2019].

Universal Basic Income (UBI): Andrew Yang proposes providing all individuals with a regular and unconditional cash payment from the government. It is intended to ensure a basic level of economic security for all citizens, regardless of their employment status. Advocates argue that UBI can help alleviate poverty, reduce income inequality, and provide a safety net in the face of technological advancements and potential job displacement. UBI has been piloted in various countries and cities to assess its impact on work incentives, social outcomes, and overall well-being [Van Parijs, Philippe, 2013].

Doughnut Economics is a theory proposed by economist Kate Raworth. It suggests a new economic framework that integrates social and planetary boundaries. The theory posits that economic development should occur within a "doughnut," which represents a safe and just operating space between environmental limits and social foundations. The environmental boundaries represent the planet's capacity to sustain human activities, while the social foundations encompass basic human needs such as food, water, healthcare, education, and social equity. Doughnut Economics aims to achieve a balance between ecological sustainability and social well-being [Raworth, 2012].

Post-growth economics (Tim Jackson) challenges the dominant focus on perpetual economic growth as the primary measure of progress. It questions the notion that continuous economic growth is both desirable and feasible in a world with finite resources. Proponents argue that pursuing endless growth is environmentally unsustainable and leads to social inequalities. Post-growth economics explores alternative measures of well-being, such as quality of life, environmental sustainability, and social equity. It advocates for economic systems that prioritize human well-being, ecological balance, and equitable distribution of resources [Jackson, 2009].

Scientific novelty. The problems of implementing effective anticrisis policy show that there are many factors contributing to crises, and the presented challenges caused by crisis and view on the difficulties of assessing their impact can be the basis for new problems and opportunities in the study of economic theory. The article presents a theoretical analysis of anticrisis policy, which is a basis for practical analysis in future.

Analysis. The coronavirus pandemic has had a significant impact on the global economy, leading to several new anticrisis problems in many fields. Various countries experienced negative GDP growth rates during the pandemic. For example, the global economy contracted by an estimated 3.5% in 2020, according to the International Monetary Fund (IMF) [WEO, 2020]. Unemployment rates increased significantly in many countries. For instance, the International Labour Organization (ILO) reported that global unemployment rose by nearly 9% in 2020, equivalent to 255 million full-time jobs lost [ILO 2021]. Job losses and business closures indeed resulted in a loss of human capital and expertise. Income inequality also worsened, with the World Bank estimating that the pandemic could push an additional 88 million to 115 million people into extreme poverty in 2020 [Poverty, 2020].

The disruptions in global supply chains were widespread. According to a survey by the Institute for Supply Management, about 75% of companies reported supply chain disruptions due to the pandemic. Shortages were observed in various sectors, including personal protective equipment (PPE), medical supplies, semiconductors [sdcexec, 2021].

Stock markets experienced significant volatility during the pandemic. For instance, the global stock market index, MSCI World, fell by approximately 34% from its peak in February 2020 to its low point in March 2020 [The Impact of COVID-19 on Financial Markets and A Closer Look at Sri Lanka [lki.lk blog sri-lanka, 2022].

Governments implemented various fiscal measures to address the pandemic's impact. As a result, government debt levels increased. IMF projected that the global debt-to-GDP ratio would reach a record high of 98% in 2020 [de Soyres et al., 2022]. Consumer behavior underwent significant changes during the pandemic. E-commerce sales saw a substantial increase. According to the UNCTAD, global e-commerce sales grew by 3.0% in 2020, reaching $26.7 trillion [UNCTAD report, 2022]. Due to pandemic the strain on healthcare systems was evident across various countries. For instance, hospitals in several regions experienced overcrowding and shortages of critical resources such as ventilators, personal protective equipment, and hospital beds.

Social welfare programs faced increased demands during the pandemic. For example, in the United States, the number of people receiving unemployment benefits surged, with over 40 million initial jobless claims filed from mid-March to early May 2020, according to the U.S. Department of Labor. The U.S. government implemented the CARES Act, which provided enhanced unemployment benefits, including additional weekly payments and expanded eligibility criteria. The government also issued direct cash payments to individuals and families as part of the stimulus packages, aimed at providing financial assistance during the economic downturn. The Supplemental Nutrition Assistance Program (SNAP) was expanded, providing increased benefits and additional funding to support food security for low-income individuals and families.

The German government expanded its short-time work program, which subsidizes employees' wages when companies reduce working hours, helping to prevent layoffs during the pandemic. Various financial assistance programs were implemented, including grants and loans, to support small businesses affected by the crisis. Temporary measures were put in place to prevent evictions and support vulnerable individuals and families with housing-related expenses.

In Canada the government introduced Emergency Response Benefit (CERB), providing income support to individuals who lost their jobs or experienced reduced income due to the pandemic. Canada implemented several programs, such as the Canada Emergency Wage Subsidy (CEWS) and the Canada Emergency Rent Subsidy (CERS), to provide financial assistance to businesses and help retain employees. Additional funding was allocated to enhance mental health services and support mental health initiatives for individuals affected by the pandemic.

Global trade experienced disruptions, with a decline in both import and export volumes. According to the World Trade Organization (WTO), world merchandise trade volume fell by 5.3% in 2020 [WTO, 2020].

Job displacement and changes in workforce dynamics were also observed in many sectors. For example, a survey by Gartner found that 82% of company leaders plan to allow employees to work remotely at least some time after the pandemic. [Gartner, 2020].

Due to pandemic tourism and travel-related industries were severely impacted. The United Nations World Tourism Organization (UNWTO) estimated a decline of around 74% in international tourist arrivals in 2020 [UNWTO, 2020].

Global foreign direct investment (FDI) flows were significantly affected by the pandemic. According to the UNCTAD, global FDI flows dropped by 35% in 2020, reaching the lowest level in decades [UNCTAD, 2020].

There were interesting challenges in Education Systems too: the shift to remote learning during the pandemic posed challenges in education. According to UNESCO, at the peak of the pandemic, school closures affected over 90% of the world's student population, impacting around 1.6 billion learners [WB, UNESCO and UNICEF, 2021]. The pandemic caused a significant decline in energy demand. Accor-ding to the International Energy Agency (IEA), global energy demand fell by around 4% in 2020, with oil demand experiencing the largest decline in decades [Global Energy Review, 2021]. The transition to remote work and operational disruptions led to reduced productivity for many businesses. A study by the National Bureau of Economic Research found that working from home led to a 20% decrease in average work hours.The pandemic had significant psychological and mental health impacts. According to a survey by the Kaiser Family Foundation, around 45 percent of adults (53% of women and 37% of men) in the United States say the pandemic has affected their mental health, and 19 percent say it has had a "major impact." The rates are slightly higher among women, Hispanic adults and black adults [Forbes, 2020].

In summary, studying the problems that have arisen in the global economy, in individual regions and countries, we can distinguish the following main problems caused by the pandemic:

1. *Economic Contraction and Recession*: The pandemic caused a significant decline in economic activity due to lockdown measures and reduced consumer spending. This led to negative GDP growth rates and a global recession.
2. *Unemployment and Income Inequality*: Business closures and layoffs resulted in a surge in unemployment rates, particularly in sectors heavily affected by the pandemic such as travel, hospitality, and retail. Job losses and reduced working hours also exacerbated income inequality, as vulnerable populations faced financial hardships and struggled to meet their basic needs.
3. *Supply Chain Disruptions and Shortages*: Factory closures, transportation restrictions, and disruptions in international trade led to significant supply chain disruptions. This resulted in shortages of essential goods, medical supplies, and components, affecting industries reliant on imports and causing price fluctuations.
4. *Financial Market Volatility*: The uncertainty surrounding the pandemic caused significant volatility in financial markets. Stock markets experienced sharp declines, and investors faced increased risk aversion. Central banks and governments implemented various measures to stabilize markets and boost investor confidence.
5. *Business Insolvencies and Closures*: Many businesses, particularly small and medium-sized enterprises (SMEs), faced severe financial distress during the pandemic. Reduced revenues, increased costs (e.g., implementing health and safety measures), and limited access to financing resulted in a significant number of business insolvencies and closures, leading to job losses and economic instability.
6. *Government Debt and Fiscal Challenges*: To support individuals, businesses, and economies during the crisis, governments implemented expansive fiscal measures such as stimulus packages and increased public spending. These measures resulted in a surge in government debt levels and fiscal challenges, which may have long-term implications for public finances.
7. *Changing Consumer Behavior*: The pandemic led to significant changes in consumer behavior and preferences. Consumers shifted towards online shopping, e-commerce, and digital services, accelerating the growth of these sectors. However, in-

dustries reliant on in-person interactions, such as tourism, hospitality, and traditional retail, faced challenges in adapting to changing consumer preferences and safety concerns.

8. *Strains on Healthcare Systems*: The pandemic placed immense pressure on healthcare systems worldwide. Increased healthcare expenditures were necessary to strengthen healthcare infrastructure, provide adequate medical supplies, and support healthcare workers. Resource shortages and overwhelmed hospitals further strained the healthcare sector.

9. *Increased Social Welfare Demands*: Governments faced increased demands for social welfare programs such as unemployment benefits, healthcare support, and assistance for vulnerable populations. The need to expand and adapt these programs put additional strain on public finances.

10. *Global Trade Disruptions and Protectionism*: The pandemic highlighted vulnerabilities in global supply chains and raised concerns about dependence on certain countries for critical goods. Some countries implemented protectionist measures and trade restrictions, disrupting international trade and cooperation.

11. *Shifts in Workforce Dynamics*: Remote work and digitalization became essential during the pandemic, accelerating trends in automation and digitization. This shift in workforce dynamics resulted in job displacement, increased demand for certain skills (e.g., technology-related skills), and the need for reskilling and upskilling initiatives.

12. *Decline in Tourism and Travel-related Industries*: Travel restrictions, border closures, and fears of infection significantly impacted the tourism and travel industry. Airlines, hotels, restaurants, and other businesses reliant on tourism faced a sharp decline in revenue, leading to layoffs and closures.

13. *Reduction in Foreign Direct Investment (FDI):* The pandemic and associated uncertainties led to a decline in foreign direct investment. Companies became cautious about investing in new markets, resulting in reduced capital flows and economic growth.

14. *Decrease in Consumer and Business Confidence*: The pandemic's economic consequences and uncertainty negatively affected consumer and business confidence. Decreased confidence led to reduced consumer spending and investment, further impacting economic recovery.

15. *Challenges in Education Systems*: School closures and the transition to remote learning posed significant challenges in education systems. Access to technology, quality online learning resources, and the ability to adapt teaching methodologies became critical issues.

16. *Impact on the Energy Sector*: The pandemic led to a decrease in energy demand due to reduced economic activity and travel restrictions. Fluctuating oil prices and reduced investment in the energy sector resulted in challenges for energy companies and producers.

17. *Reduced Productivity and Logistical Challenges*: Remote work arrangements, supply chain disruptions, and health and safety measures reduced productivity for many businesses. Logistical challenges, such as implementing social distancing measures and ensuring employee safety, added further complexity.

18. *Disruptions in the Real Estate Market and Construction Industry*: Lockdown measures and economic uncertainty impacted the real estate market and construction industry. Delayed projects, reduced demand for commercial spaces, and changes in housing preferences created challenges for developers, investors, construction companies.

19. *Psychological and Mental Health Impacts*: The pandemic's prolonged nature and associated challenges resulted in significant psychological and mental health impacts on individuals and societies. Increased stress, anxiety, and depression affected overall well-being and productivity.

20. *Loss of Human Capital and Expertise*: Job losses, business closures, and workforce displacement resulted in a loss of human capital and expertise, particularly in sectors heavily affected by the pandemic. Rebuilding and recovering these skills may pose challenges for future economic growth.

These problems have had wide-ranging consequences for the global economy and continue to be areas of focus for governments, businesses, and international organizations as they navigate the post-pandemic recovery.

The history of economics theory shows in general, that anti-crisis policymakers have faced some general challenges in recent decades that greatly affect policy effecttiveness. Those factors are:

- *Economic Uncertainty*: Anticrisis policies need to adapt to the rapidly changing economic landscape, making it challenging to accurately predict and address the root causes of crises. The emergence of new technologies, globalization, and geopolitical events can create unforeseen challenges for policymakers.
- *Global Interconnectedness*: In today's interconnected world, economic crises in one country can quickly spread to others. This requires international cooperation and coordination for effective anticrisis policies. However, navigating conflicting national interests and policy differences can hinder a unified approach.
- *Financial Sector Vulnerabilities*: The stability of the financial sector remains a critical concern. Complex financial instruments, excessive risk-taking, and inadequate regulations can amplify the impact of crises. Policymakers must strive to ensure financial stability and prevent systemic risks.
- *Inequality and Social Impact*: Anticrisis policies should address the potential exacerbation of socioeconomic inequalities during times of crisis. Vulnerable populations are often disproportionately affected, which can lead to social unrest and

further economic instability. Striking a balance between economic recovery and social well-being is a significant challenge.

➢ *Climate Change and Environmental Risks*: The increasing frequency and intensity of climate-related events pose new challenges for anticrisis policies. These events can disrupt economies, infrastructure, and supply chains, requiring policymakers to consider long-term resilience and sustainability in their approaches.

➢ *Policy Coordination and Implementation*: Developing effective anticrisis policies is one thing, but ensuring their successful implementation is another challenge. Political obstacles, bureaucratic inefficiencies, and resistance to change can hinder the timely execution of policies, affecting their overall effectiveness.

However, it's important to note that the specific problems associated with anticrisis policy can vary depending on the nature and context of the crisis at hand. Policymakers continually adapt their strategies based on the evolving challenges they face.

In turn, another important issue is the evaluation of *the effectiveness of anticrisis policies.* The effectiveness of anticrisis policies is typically measured through a combination of quantitative and qualitative indicators. Below are some common metrics and methods used to evaluate the effectiveness of such policies:

1. *Economic indicators*: Key economic indicators, such as GDP growth rate, unemployment rate, inflation rate, and poverty levels, are often used to assess the impact of anticrisis policies. Positive changes in these indicators are generally considered favorable outcomes.
2. *Financial market indicators*: Stock market indices, interest rates, credit spreads, and exchange rates are important indicators of market stability and investor confidence. Monitoring these indicators can provide insights into the effectiveness of policies aimed at stabilizing financial markets.
3. *Fiscal indicators:* Government revenue, expenditure, and budget deficit or surplus are crucial measures of fiscal stability. The effectiveness of anticrisis policies can be evaluated by assessing whether they lead to sustainable fiscal conditions.
4. *Sector-specific indicators*: Specific sectors affected by a crisis, such as housing, manufacturing, or services, may have unique indicators to gauge their recovery. For example, housing starts, industrial production, or retail sales figures may be used to assess the effectiveness of policies targeting those sectors.
5. *Social indicators*: The impact of anticrisis policies on social well-being is another important aspect. Indicators such as poverty reduction, access to healthcare, education, and social assistance can be used to evaluate the effectiveness of policies in addressing social issues arising from the crisis.
6. *Surveys and public opinion*: Qualitative methods like surveys and public opinion polls can provide insights into the perceptions and experiences of individuals

and businesses. Surveys can assess public confidence, satisfaction with government measures, and the perceived effectiveness of anticrisis policies.

7. *Case studies and comparative analysis*: Analyzing specific cases or making comparisons with similar crises or countries can help evaluate the effectiveness of different policies. By examining the outcomes in different contexts, policymakers can learn from past experiences and make more informed decisions.

Thus, measuring the effectiveness of anticrisis policies is a complex task, and multiple factors can influence the results. Therefore, a combination of quantitative and qualitative approaches is often employed to gain a comprehensive understanding of policy impacts.

A policy is considered effective when it successfully achieves its intended objecttives and produces desired outcomes. The specific criteria for determining policy effecttiveness can vary depending on the nature of the crisis and the goals of the policy. Here are some general considerations for evaluating policy effectiveness:

1. Achievement of goals: The policy should be evaluated based on whether it has accomplished its stated objectives. For example, if the goal was to stimulate economic growth, an effective policy would result in increased GDP, job creation, and improved business conditions.

2. Positive impact on target areas: The policy should have a positive impact on the areas it aims to address. For instance, if the policy targets reducing unemployment, a decline in the unemployment rate would indicate effectiveness.

3. Sustainability of outcomes: Effective policies should lead to sustainable outcomes rather than temporary improvements. Sustainable outcomes ensure that the positive effects of the policy continue in the long term and contribute to the overall stability and growth of the economy or the targeted sector.

4. Cost-effectiveness: Policies should be evaluated in terms of their cost-effectiveness, considering the resources expended versus the results achieved. An effective policy would achieve its goals efficiently, minimizing unnecessary costs and maximizing the benefits.

5. Stakeholder satisfaction: The satisfaction and feedback of various stakeholders, such as businesses, workers, and the general public, can provide valuable insights into policy effectiveness. Positive feedback, increased confidence, and support from stakeholders indicate the policy's effectiveness in meeting their needs and expectations.

6. Adapting to changing circumstances: The effectiveness of a policy should also be assessed based on its ability to adapt to changing circumstances. A policy that can adjust its approach in response to evolving conditions and emerging challenges is more likely to be considered effective.

7. Long-term impact: Effective policies should have a lasting impact beyond the immediate crisis period. They should lay the foundation for sustainable growth, resilience, and the prevention of similar crises in the future.

Accordingly it's important to recognize that the effectiveness of a policy can be subjective and context-dependent. Different stakeholders may have different perspectives on what constitutes effectiveness. Therefore, policy evaluation often involves a comprehensive and multidimensional assessment that takes into account multiple indicators and viewpoints.

Conclusions. Anti-crisis policies play a vital role in mitigating the adverse effects of economic crises. However, policymakers face various theoretical problems when formulating and implementing such policies. Identifying the underlying causes, striking a balance between short-term stabilization and long-term sustainability, coordinating efforts, gaining political and public acceptance, and evaluating policy effectiveness are all critical challenges. Overcoming these challenges requires a nuanced understanding of economic dynamics, effective collaboration among stakeholders, and the continuous refinement of policy frameworks. By addressing these theoretical problems, policymakers can enhance the efficacy of anti-crisis policies and pave the way for more robust and resilient economies in the face of future challenges.

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Theoretical problems of anti-crisis policy: challenges and considerations

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Each crisis situation in any economy causes negative effects and requires timely and decisive macroeconomic measures. In line with coping with this "new normal" environment and the unique nature of the expected recession, governments and regulators took action to prevent an economic crisis. Financial system regulators implemented a number of different traditional measures, as well as some new and unconventional measures and decisions, to ensure economic and financial stability. Central banks responded by lowering their policy rates and providing liquidity to banks and non-bank financial institutions, which in turn eased the burden on firms and individuals affected by the severe disruptions. It should be noted that in recent decades, the views of economists on the nature and causes of the crisis in the economy have changed radically and new theoretical approaches have emerged. This study can serve as a basis for further in-depth research.