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# Features of Crisis Phenomena in the Economy in the Modern Era, Arising Under the Influence of Factors of Various Genesis

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## Abstract

The article analyzes the features of crisis phenomena in the economy in the modern era, which take place under the influence of factors of various genesis. As the author notes, depending on the persistence of higher inflationary pressures, some policy revision may be required. Exiting the expansionist policy is fraught with additional risks. Rising interest rates may lead to excessive indebtedness of public finances. Thus, the decisions of the central bank may depend more on the persons who determine fiscal policy. A decrease in confidence in the monetary authorities may contribute to an increase in inflation expectations, causing an increase in actual inflation.

**Keywords:** economy, economic activity, energy deficit, investment climate, crisis phenomena, factors of influence.

## Introduction

In the modern period, the world economy is faced with a number of factors that have a fairly active impact on its development, while this influence is multidirectional. Prompt consideration of such factors is necessary due to the timely development of the necessary response measures, since in their absence, economic entities may not only face problems of declining competitiveness, but also suffer from significant losses. For this reason, a timely assessment of the negative impact factors will make it possible to take the necessary measures that hinder the stable operation of market entities [1].

However, it should also be noted that such factors can have a significant impact, which may entail consequences that are difficult or practically impossible to prevent from appearing. One of these factors was the rapid development of coronavirus infection, which caused a pandemic and caused a number of crisis phenomena in all spheres of society: economic, social, cultural, etc.

The purpose of the study is to investigate the features of crisis phenomena in the economy in the modern era, which take place under the influence of factors of various genesis.

## Materials and methods.

In the process of preparing the work, an array of literature was studied within the framework of the research topic, as well as comparative research methods were applied.

## Results.

Since the outbreak of the pandemic, politicians around the world have introduced numerous emergency measures, such as social distancing and wearing masks, restrictions on movement and travel, as well as the closure of large sectors of the economy, including firms, workplaces and schools. Introduction of strict restrictions (lockdown) contributed to the fact that the number of infections in most countries remained below the capabilities of health systems [2]. After the initial period, restrictions were loosened to some extent as tests and vaccines against the virus became increasingly available. It was expected that vaccines would limit the spread of the virus and protect against severe forms of the disease. In fact, infection rates in the pre- and post-vaccination period strongly correlate between countries. This may indicate a fairly rapid spread of vaccines, especially in advanced countries. In the winter of 2021, the number of infections in many places rose again to record levels. However, the current mutations of the virus seem less serious, at least for those vaccinated.

Self-isolation has helped save many human lives. At the same time, these measures contributed to a large-scale recession on a global scale. However, it should be noted that economic losses may be even lower compared to the scenario without appropriate policy measures. Experts point out that the lack of social distancing can increase the costs of a pandemic over long periods of time in terms of production, consumption and investment. In order to reduce costs, the policy of social distancing should be shifted towards secondary industries and occupations that can be practiced from home. However, due to the cost-output relationship, even non-target industries are forced to reduce output. For example, manufacturers of intermediate products suffer more from the crisis if they sell their products to sectors limited by social distancing [3].

The key question for policymakers is how to find a compromise between the spread of the virus and the economic costs. Fulfilling this compromise is a major challenge in a pandemic.

The pandemic has affected both supply conditions and demand in the economy. Infections and blockages have reduced labor supply and productivity. Declining profits, rising costs and excess production capacity put a burden on investment and research activities of firms. Consequently, capital accumulation may slow down, which means a slower increase in potential output.

The growth dividends associated with globalization, such as the benefits of the continued division of labor organized into international production chains, may decrease. In the pre-crisis period, global production helped to reduce costs and ensure low prices for consumers. However, this process is vulnerable to locks in certain places, as they can lead to failures throughout the chain. Despite the economic motives, there is some risk of redistribution of activities to the regional neighborhood, which may be accompanied by loss of efficiency. In addition, for example, more than half of the participants in the survey of households in the United States reported significant losses of income and well-being due to the pandemic. To increase resilience to future shocks, households may opt out of increasing consumer spending.

Higher credit defaults and non-performing loans may contribute to stricter lending standards for banks. The researchers argued that the supply shocks associated with the pandemic are amplified by changes in aggregate demand, especially lockdowns, layoffs and company departures. Expansionary fiscal policy is less effective, since the closure of some industrial sectors may reduce the traditional Keynesian feedback multiplier [4].

The shutdown of economic activity as a result of the COVID-19 crisis has led to a temporary reduction in global carbon emissions, but the long-term impact of the pandemic on the transition to a low-carbon economy remains uncertain. While the economic consequences of the crisis may limit the ability of companies to invest in green projects, thereby slowing down the transition period, the COVID-19 crisis may also cause a structural shift in consumer and investor preferences in favor of environmentally friendly products, providing an opportunity to introduce mitigation policies which help diversify the production of fossil fuels.

In the current environment, government policies and recovery packages that encourage "green" investment, should support the transition to a low-carbon economy. Promoting the growth of a sustainable financial sector through better disclosure, development of green taxonomies and standardization of products can further contribute to the mobilization of "green" investments.

The COVID-19 crisis does not seem to have led to a sustained reduction in green funding. The issue of green corporate securities, which has been trending upward over the past decade, declined in March 2020 during the peak of financial market turmoil caused by the crisis, but remained within the range of historical deviations. Since then, the issue has increased, while the share of "green" securities in the total volume of corporate securities more than doubled in the period from March to June 2020.

Investment funds, especially fixed income funds focused on sustainable or environmental investments, continued to attract investments throughout the crisis, while the total capital inflows for some asset classes decreased only slightly. A possible driving force behind the good performance of sustainable and environmental funds could be the relatively high returns that "green" investments usually received during this crisis [5].

Thus, in general, the impact of the COVID-19 crisis on environmental financing seems modest and short-lived. However, given the persistence and severity of the shock – in terms of declining production volumes, the degree of potential scarring and increased economic uncertainty that burden corporate balance sheets – it is difficult to say whether such trends will continue and what the consequences will be. The overall impact of the crisis will be on the actual environmental performance of companies and on their ability to make a sufficient contribution to efforts to mitigate the effects of global climate change in the short and long term.

One of the problems of our time should also be called the energy crisis. Energy is an important factor in the development and economic growth of any country. Electricity fuels the profitability and productivity of every area of the economy; therefore, electricity is considered a very versatile form of energy. Reliable power supply is an important factor for the main business processes. Thus, there is no doubt that the firm's productivity can be damaged by unreliable supply. In many developing countries, the unreliable supply of electricity is a significant obstacle to economic growth. The shortage of electricity affects all segments of the industry; however, the extent to which an individual sector will be affected may vary.

A shortage of electricity can affect a firm's profitability and productivity in several ways. Firstly, the shortage of electricity, which diverts capital from more productive purposes, may force firms to invest in very expensive in-house energy production using their own diesel generators. Secondly, when alternative sources of electricity are not available, during power outages, companies must stop their activities, which leads to the waste of semi- and inflexible resources, such as labor and some types of raw materials, which can be spoiled. Thirdly, with an acute shortage of energy, firms may prefer to purchase energy-intensive intermediate resources rather than produce them themselves. Since outsourcing is more expensive, production costs will increase significantly due to a shortage of electricity [6].

Finally, energy-intensive technologies may encourage firms to completely abandon them due to a shortage of electricity. Since less advanced technological production processes are less energy-intensive, the transition to such processes undermines the long-term profitability and productivity of firms.

The impact of electricity shortages on a firm's profitability and productivity depends on the industry. The shortage of electricity is likely to have a more negative impact on electricity-intensive industries. The magnitude of the impact will also depend on the category of electricity shortage. An unexpected load reset has a greater impact compared to a planned load reset. The consequences of downtime can be mitigated by early notification of load disconnection, storage of perishable materials and adjustment of work schedules; therefore, the loss of semi-flexible inputs is significantly reduced. On the contrary, firms without internal generators are much less able to cope with an unforeseen shortage of electricity.

To increase economic productivity, the availability of energy is crucial. The financial development of the country could potentially affect such accessibility. At the industrial level, it is easier for companies to gain access to financial capital to expand an existing business or open a new one. This creates a new business effect that increases activity on the stock market and is regarded as an indicator of economic growth. All of the above leads to an increase in the availability of funds for investment projects, although it increases the diversification of risks for consumers and businesses, thereby creating a wealth effect. As a result, there is an expansion of the economy and demand for energy-intensive products, which increases consumer and business confidence.

In production models, energy is the most important resource along with labor, capital and technology, and for a modern economy its sustainable supply at affordable prices is inevitable. Thus, this is a permanent limitation of output growth. For the modern economy as a whole, the main problem is the rising prices of energy resources such as electricity, crude oil and coal. In addition, high distribution costs and energy shortages occur in various regions that have significant infrastructure gaps, which leads to higher energy prices than the national average. Firms located away from their competitors face higher average energy prices, while supplies to similar markets and production are carried out under the same regulatory conditions.

Rising energy prices have a significant negative impact on the long-term profitability and productivity of firms. Thus, higher energy prices are associated with a decrease in the amount of profit; however, the magnitude of this adverse impact may vary for different industries and fuels [7].

## Discussion.

The COVID-19 pandemic has had, among other things, a negative impact on the economic situation of countries overcoming the adverse effects of the crisis that began at the end of the last decade, mainly reducing their respective economic growth and having a negative impact on employment and the level of well-being. Because of these negative consequences for public welfare, politicians have tried to take measures that, on the one hand, solve the health problem that causes COVID (by creating vaccines), and on the other hand, they stop the decline in economic growth and reactivate the economy to reach the level that existed before the COVID–19 pandemic as soon as possible.

From a purely economic point of view, the question is how to develop measures that stimulate economic growth in order to reduce the negative effects on the economy caused by the pandemic. To achieve this goal, it is necessary to strengthen the factors that positively affect growth. In this sense, in the specialized literature, entrepreneurship is considered as one of the factors that can help achieve this goal.

Taking into account the environmental problems arising in the economy and the desire not to harm the situation of future generations led to the replacement of the traditional goal of economic growth with the goal of sustainable development. This implies the inclusion of environmental aspects in the analysis. Therefore, instead of the traditional growth goal, this article discusses the goal of sustainable development. In achieving this goal, entrepreneurship is also a factor to be considered, since actions aimed at improving the environment represent a business opportunity.

As with other economic factors, COVID has had a very negative impact on entrepreneurship. Many businesses have not survived the significant drop in demand caused by quarantine and other significant restrictions on mobility that countries have imposed to try to stop the infection. Those enterprises that continue their activities do so with lower profitability due to lower demand, and many of them are worried about the future, taking into the account the emergence of new outbreaks of coronavirus due to the new virulence of the disease. These expectations are improved by taking into account established vaccination processes. On the contrary, in some cases, this situation has led to the emergence of new business lines that some entrepreneurs use, such as home delivery, anti-infection products, etc. [8].

For this reason, it is advisable to analyze the factors that may affect entrepreneurs who carry out their activities before the outbreak of the pandemic, to maintain or stimulate their activities based on behavioral assessments of the main economic variables in the near future. In this sense, the actions of the government and central banks play an important role, since their policies can directly or indirectly stimulate entrepreneurship through domestic demand.

The economic crisis caused by COVID-19 has forced politicians to develop measures to avoid the negative effects of the pandemic on employment and economic growth. As in previous crises, they stimulate factors that contribute to growth. In the specialized literature, entrepreneurship is considered as one of the factors that stimulate growth.

The ecological situation in the economy has led to the need to include this problem in the analysis of economic growth. In this sense, there are two opposite approaches: approaches that believe that environmental restrictions do not affect growth, and those that, on the contrary, argue that a shortage of natural resources will ultimately hinder economic growth. Those who adhere to the second position should rethink the goal of economic growth in order to try to carry out economic activities that do not endanger the position of future generations. This means changing the goal of economic growth to sustainable development, including environmental issues.

Sustainable development is aimed at replacing businesses that damage the environment with activities that do not cause damage. From this point of view, entrepreneurship should be taken into account. The business opportunities that this entails will encourage entrepreneurs to implement this transformation by differentiating their products, improving their image and accessing new markets that require environmentally friendly products [9].

Not long ago, a comparison was made between two economic crises: the economic crisis caused by the pandemic and the climate crisis. In this sense, people have suggested that the response to the economic downturn caused by COVID-19 and the response to the climate emergency are interrelated and they reinforce each other. This is because the coronavirus outbreak provides opportunities to advance the climate agenda along with a broader transition to sustainable production and consumption. For example, the European Union is betting that the way out of the current economic crisis is linked to a longer-term goal of energy transition.

Taking this idea into account, the members of the European Union (EU) have recently launched a tool known as the Next Generation EU. The idea behind this approach is that the innovations needed to implement the energy transition will contribute to economic growth and employment, which will lead us out of the economic crisis caused by the pandemic. Thus, it can be assumed that the economic opportunities arising from the demand for environmentally friendly products and the transition to energy will create a positive link between entrepreneurship and sustainable development.

As with other economic factors, the pandemic has negatively impacted entrepreneurship due to reduced demand caused by quarantine and other restrictions on mobility trying to reduce the spread of infection. In this regard, the approach to venture assistance has become the most popular for consideration in the literature. This approach states that entrepreneurship develops in a social environment conducive to its activities, for which there must be an adapted banking system, proper government policy, a large market, etc.

Two situations are needed to be taken into account in this area: firstly, measures that increase demand and facilitate financing of firms, and secondly, the role of expectations. In this sense, various factors affecting entrepreneurship can be considered. Firstly, these are monetary factors. Financial resources are needed to start and, in many cases, to develop a business. For this reason, they are important determinants of business activity. Thus, the expansionary monetary policy of the central bank, which avoids a shortage of liquidity and credit, will make it easier for potential entrepreneurs to obtain the financial resources they need to carry out or expand their activities. It can be said that this policy plays a key role in promoting business creation, which has a positive impact on entrepreneurship.

Monetary policy also influences economic activity by determining interest rates. Higher interest rates will discourage entrepreneurs from applying for financial resources, as they will have to make more efforts to cope with this large burden, especially during periods of crisis and low demand. Similarly, it is necessary to distinguish between short-term interest rates and long-term interest rates, since short-term interest rates affect current financial costs, and long-term interest rates affect the formation of expectations about future costs of firms.

The monetary policy of developed countries has been expansionary in recent years and more noticeably since the beginning of the pandemic to facilitate lending to households and companies. This means low short-term interest rates and the expectation of low long-term interest rates. For this reason, it can be said that a short- and long-term reduction in interest rates favors entrepreneurship [10].

State policy is the second factor influencing entrepreneurial activity. This influence can be direct or indirect. The direct impact will be due to an increase in demand caused by an expansive fiscal policy due to increased government spending or tax cuts. An increase in the disposable income of economic agents will lead to an increase in consumption, thereby stimulating business activity. This expansionary fiscal policy will also have a positive impact on business expectations, as entrepreneurs may believe that increased government spending will support demand over time. These positive expectations will encourage new entrepreneurs to start a business, and former entrepreneurs to maintain or expand their business. Therefore, fiscal policy aimed at increasing demand in the short term has a positive impact on entrepreneurship.

The third factor to consider is global competitiveness. Problems related to global or international competition, such as the growth of globalization and the need for business sustainability, began to appear in 1986. Global competitiveness has become a generally accepted measure showing how well enterprises maintain sustainability and improve their performance, indicating the level of economic development of the country.

Since 2005, the World Economic Forum (WEF) has based its competitiveness analysis on the Global Competitiveness Index (GCI), a very comprehensive index for measuring national competitiveness that covers the microeconomic and macroeconomic foundations of national competitiveness. The WEF defines competitiveness as a set of institutions, policies and factors that determine the level of productivity in a country. As a result, the most competitive economies tend to provide a higher level of income for their population. Similarly, the level of productivity is the main factor determining the rate of return received from physical, human and technological investments in the economy. The Global Entrepreneurship Monitor Observatory considers the indicators that the WEF uses to measure global competitiveness as a framework for entrepreneurship.

It should be expected that countries with higher economic competitiveness will have higher entrepreneurial activity due to the fact that they have more infrastructure, developed education systems, adequate institutional systems and a surplus of labor. As for the workforce, this is an important variable explaining the number of small companies. Presumably, entrepreneurs will settle in areas with a sufficient number of workers, either because these workers attract them, or because these workers may be potential groups of entrepreneurs who can offer resources and services to larger companies. In addition, entrepreneurship is as high as possible in densely populated urban areas, where skilled workers predominate. Accordingly, countries with higher economic competitiveness demonstrate higher entrepreneurial activity.

Finally, business expectations are an additional factor to consider. As already mentioned, if the economic prospects are positive, there will be an incentive for entrepreneurship. In this sense, in addition to the health prospects, vaccination will have a positive effect in the short term, with fewer infections and, consequently, fewer conclusions, which will lead to an increase in demand. The study should take into account the role of fiscal policy in shaping expectations. An expansive fiscal policy will increase demand, generating positive expectations and stimulating entrepreneurial activity. Therefore, favorable expectations are positively associated with entrepreneurship, and an expansive fiscal policy due to increased demand will create favorable business expectations in the short term.

## Conclusion.

The economy had to face the negative consequences of the COVID-19 pandemic, which, in addition to serious health problems, led to a significant decline in economic growth with negative consequences for employment and well-being. Consideration of environmental problems leads to a change in the traditional goal of economic growth to the goal of sustainable development. This implies the inclusion of environmental aspects in the analysis. In achieving this goal, entrepreneurship is also a factor to be considered, since actions aimed at improving the environment represent a business opportunity.

Despite the rise in inflation in recent months, monetary policy remains over expressive. Interest rates have lost their role as policy instruments in the context of the global financial crisis. Since then, central banks have switched to unconventional measures to stimulate the economy. However, depending on the persistence of higher inflationary pressures, some policy revision may be required. Exiting the expansionist policy is fraught with additional risks. Rising interest rates may lead to excessive indebtedness of public finances. Thus, the decisions of the central bank may depend more on the persons who determine fiscal policy. A decrease in confidence in the monetary authorities may contribute to an increase in inflation expectations, causing an increase in actual inflation.

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