

Why is it preferable in some communes to issue bonds, and in others to take out a loan to cover the temporary budget deficit that occurred during the year, to finance the planned budget deficit of the commune budget, to repay previously incurred liabilities arising from the issuance of securities and to take out loans and credits, as well as for the advance financing of financed activities from funds from the European Union budget? What factors influence decisions made in this regard? To answer these questions, it is not enough to focus on macroeconomic variables and variables specific to individual municipalities, e.g. the type of municipality or its financial situation. You have to go to the source.

The main goal of this project is to test the path dependence theory, and to show which factors influence municipalities' decisions regarding taking out loans and issuing bonds. We have focused on the verification of the following hypotheses:

Hypothesis 1. Differences in the intensity of borrowing and issuing bonds in contemporary Poland are the result of the division of this country among three empires (Austria, Prussia, and Russia) before 1918. History matters because it influences people's cultural norms and values which then persist over time. Recent literature shows that cultural factors such as trust, manners of social interaction, and other values, beliefs, and norms have important repercussions for economic development, religiosity, voting preferences, student performance, and jurisprudence of the courts. This project will also verify this view in relation to municipalities' decisions regarding taking out loans and issuing bonds.

Hypothesis 2. Differences in the intensity of borrowing and issuing bonds in contemporary Poland are the result of social bonds. In eastern Poland, social ties are stronger because people have lived in these areas for generations. However, in western Poland, social ties are weaker because of resettlements after World War II. Where social ties are stronger, there is a greater need for control because mayors want to be perceived as more honest. For this reason, they prefer loans. However, in areas where social ties are weaker, it is preferable to issue bonds, i.e. a debt instrument that does not require as much control over expenses as loans.

As a result of our research, we will collect extensive data on municipalities that have issued bonds or taken out a loan. We will present the factors that are taken into account when deciding whether to choose one of these debt instruments. We will identify the barriers encountered by municipalities that decide to issue bonds or take out a loan.

The project will contribute to the development of legal sciences in the field of public finance law. The research should allow for the formulation of recommendations regarding municipal bonds.