

Global Economy and Consumerism: An Analysis

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Abstract

Global economy because of COVID-19 has tanked to historical lows. It is not the first time in the world history that global community is bracing for a pandemic. COVID-19 started in Wuhan, the global epicentre of both—the virus as well as the economic bustle and flurry. After the few days of proliferation of the virus, busy streets of Wuhan were back to deserted scenes. China is currently the production house of the world. The dangers to the health sector of the countries is definitely under tremendous pressure but more worryingly, it is threatening world economy into recession. US Federal Reserve has gone for an emergency rate-cut of half percentage point. This is the biggest since 2008 financial crises. But the step seems more a knee-jerk reaction out of compulsion rather than a mature policy decision.

Keywords: Global, Covid19, Consumerism, Pandemic, China, Community

1. INTRODUCTION

Global economy because of COVID-19 has tanked to historical lows. It is not the first time in the world history that global community is bracing for a pandemic. COVID-19 started in Wuhan, the global epicentre of both—the virus as well as the economic bustle and flurry. After the few days of proliferation of the virus, busy streets of Wuhan were back to deserted scenes. China is currently the production house of the world.

The dangers to the health sector of the countries is definitely under tremendous pressure but more worryingly, it is threatening world economy into recession. US Federal Reserve has gone for an emergency rate-cut of half percentage point. This is the biggest since 2008 financial crises. But the step seems more a knee-jerk reaction out of compulsion rather than a mature policy decision. As COVID-19 is impacting the global supply chains and more importantly global health infrastructure is under tremendous pressure because of lack of supply of essential equipment's and lifesaving logistics, the threat is looming over the question of interconnectedness of the world. Global organisations like WHO and United Nations along with big powers like US, UK and EU are shrugging their responsibility. The boasting of populists over 'nation-first' rhetoric has left a huge gap in world leadership role. The leadership role in terms of who shall lead the efforts in times of crises and disasters. Interconnectedness due to Globalisation has made nations along with big medicinal cartels vulnerable to the scare of pandemics like COVID-19.

Consumerism was hit head-on. The consumer preferences have changed from bung luxury items to medicinal essentials like N95 masks, sanitizers, toilet papers and tissues. *Fortune* has label this with a tantrum that masks "have become a symbol of protection". Swedish based company that manufactures breathing masks known as *Airinum* has run out of stock. The

purchasing of masks has replaced the preferences of the people from buying the brands. The buying preferences and determinants depend upon the psychology of human beings. Buying preferences and scale comes down during fear, according to Pauline Brown—chairwoman at LVMH North America. The people in quarantine have found time to spend with ‘themselves’ and with their loved ones. This was a rare possibility given the furry and bustle that consumerism offers. According to a study by Sulzhan Bali (2016) *et*the fear factor that comes with outbreak of pandemics will have a lasting impact on consumer preferences. This factor is termed as “fearonomic”. Their study shows the impact of Ebola outbreak on the economy of Sierra Leone, Liberia and Guinea in the sectors like health, hospitality and aviation and they argue that no “business was immune to Ebola’s fearonomic effects”. Even after recovering from Ebola impact, the economy of these above-mentioned African Countries still suffers from economic and consumerist slowdown. This is exactly apprehension among the researchers regarding COVID-19 (Costa, 2020).

The virus shall break the barriers of “Great Wall”?

China being the production house of the world is main driver of global economy. The slowdown in the China has brought a slowdown to the global economy because china accounts for the 28% of the global manufacturing (Richter, 2020). China has left US economy far behind in absolute terms in manufacturing industry, because of which it has become an important and pivotal and economic might. China is the leading producer of world’s most precious elements like copper, aluminium, silver, copper etc (Tkacik, 2007). With the outbreak of COVID-19 in china and Wuhan being its epicentre, the global nerve centre of trade has been hit hard. Various studies have pointed out to the possible and direct impact of health crises on economic growth. In other words, the major Human Development indices are directly related to the economic situation and positive trend of n economy (Cuddington& Handcock, 1994; Bloom & Sachs, 1998). Companies across the globe that are directly and indirectly dependent on China hav plunged into deep crises. Air traffic and transport has been halted by many nations both internally and externally including countries like USA, EU and developing countries like India. Global markets and indices have nosedived and are witnessing a blood bath. Chinese slowdown has definitely impacted the global markets but more importantly, it is the virus that has impacted the global markets that run through “great wall”. This is not first time that world has witnessed a slowdown due to a virus. The 2003 SARS outbreak significantly jolted the economies. The deaths due to SARS were not as high as COVID-19, but the economic impact was quite dramatic and profound as has been shown by possible seven scenario’s (Lee and McKibbin, 2003). Mckibbin, 2020 quantifies the economic impact/costs of COVID-19 on labour shock and labour supply. The outcome is because of the fact that COVID-19 makes an individual fully dysfunctional for 14 days period.

COVID-19 has been one of the worst n terms of economic costs. The majority of the nation’s hit by the virus are top ten performers economically. These nations include G-7 plus china. USA, Italy, Germany, Britain and France are worst affected countries. Every day death count in Italy is increasing. If we take just the countries of China, USA, Britain, Germany, France and Italy—these nations account for some 60 percent of global demand and supply 65 percent of global manufacturing and these account for 41 percent of global exports in terms of manufacturing. Because these manufacturing hubs get impacted so does the global manufacturing chain. This is because of the fact that world is still interconnected and globalization is a reality no matter how much ‘nation-first’ leaders keep thumping the chest. The manufacturing industry and supplies will be seriously hit because the pandemic has zeroed in on manufacturing giants like china, Germany and US, this is likely to impact the supply also. This disruption is causing huge impact on markets in developing countries of

Asia and Africa as both the continents depend on developed world for their imports. On the whole the threat of recession looms large on the world economy (Baldwin & Mauro, 2020). Amidst the rising mortality and morbidity that has hit the world, the global supply chains have been disrupted which is resulting in the plunging and nosediving of global markets. The policy response has to be multifaceted and multi-dimensional that shall involve governments responding in terms of fiscal, monetary and health. Hitherto governments and central banks have resorted to interest rate cuts and markets have not responded appropriately and commensurately. The best and fail-safe method is to isolate people and focus on personal hygiene (Levine & McKibbin, 2020). Many studies have been done in this regard and significant findings have been achieved (Sarvaet al. 2016; Khan et al.2020; Kaur et al. 2020; Sarin et al.2019; Mandala et al.2019; Zhang et al. 2020; Joshi et al. 2020).

2. CONCLUSION

COVID-19 has put world politics, economics and health care to a serious stress testing and psychological brainstorming. Globalization hence is under a lot of strain and testing as well. As big cartels hoard up the supplies, Chinese manufacturing is breaking down and Europe is sighing for some respite, COVID-19 is reshaping the essentials and principles of Globalization. The very foundations and theories are in for a serious overhaul. There is a bit for populists and protectionists to cheer but the benefits and good offers of Globalization is giving them hope. COVID-19 has given populists and Nationalists some canon to fire but the fears/apprehensions about the pandemic nature of virus has compelled them to work in tandem and in close association. The gist of the crises is that Globalization is not winding but it is very much fragile and tenuous. Yes, that COVID-19 has come as a good breeze for corporates dealing with medicinal essentials but the virus has impacted the bustling consumerism. The flexibility and interconnectedness of Globalization ensured that the best practices reach every possible nook and corner of the world but it has also made world vulnerable to the vagaries of biological war fares and economic fragilities—with one country failing and having ripples all over the world. This is because of the fact that the world is now akin to a tangled web of politics, economies and cultures. The big players like USA have used this challenge to whip the frenzy of protectionism, but china has used the opportunity to lead the world and share the best practices. According to Rush Doshi and Julian Gewirtz, China is telling the world that it is a leader in the fight against the COVID-19 and this has further been helped by US relegating a good amount of space to China. Geopolitics and global engagements are seeing a huge churn and make-over. COVID-19 pandemic shall redefine the theoretical foundations of Globalization and new theories are at the cusp to take over.

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