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Covid-19 Pandemic; Recession, Virtual Revolution Leading to De-globalization?

ABSTRACT

Objective: The article is an attempt to make a diagnosis about the impact of the Covid-19 pandemic on global trends, including organizational processes in enterprises, and challenges for organization leaders in many areas. Issues such as recession phase in which the economy will find itself, de-globalization and the increase in virtualization of both the economy and entire societies are discussed in the article.

Methodology: The research method is a review of the literature, not very extensive, on the subject. There is a lack of research on social and cultural consequences of Covid-19 pandemics, and at the same time we are experiencing a flood of media information. The author is aware that impact assessment is subject to uncertainty and that it must be multidimensional.

Findings: The review of the literature, as well as reports from financial institutions, show that the economies of individual countries are entering a phase of stagnation and recession. This will probably lead to a global recession. The text indicates the sectors and types of enterprises that will be most affected by the changes. The article proves that governments' attitude to health care functions may change, as well as the role of states and international financial institutions. Virtualization of communication seems to be an important change. It is difficult to answer the question whether a pandemic will affect globalization or de-globalization, government decisions at national level are significant, but they draw from international experience.

Value Added: The article becomes an important voice on the impact of a pandemic on the functioning of the economy and globalization.

Recommendations: A question was posed demanding further analyses: whether strengthening the central government would mean de-globalization tendencies. It seems that the virtualization of social and economic life will continue after the pandemic expires, which needs to be confirmed. The impact of the pandemic on the world should be the subject of many research studies in the future.

Key words: pandemic, globalization, social life, virtualization

JEL codes: I18: Health, Government Policy, F6: Economic Impacts of Globalization, G01: Financial Crises

Introduction

The Covid-19 pandemic has a very significant impact on social and economic life by deeply transforming the conditions of functioning of people and organizations. Forecasting directions and depth of change is, at the current stage of development of the pandemic, very difficult, due to possible scenarios of Covid-19 progress and varied reactions in individual countries. However, it seems that in many areas of management, a diagnosis of the impact of a pandemic on organizational processes and predicting the challenges that managers and organizations face in many sectors are needed.

The article poses a question about three fundamental directions of changes in the world that are likely to be caused by the Covid-19 pandemic, namely the rapid entry of the world economy into the recession phase, the possibility of reversing certain effects of globalization known as de-globalization and a revolutionary increase in the degree of virtualization of the functioning of economies and societies. The research method used is based on a review of the relatively little literature on the subject.

Research and reflection on the social, economic, organizational and cultural aspects of the Covid-19 pandemic is very much needed. We are currently dealing with a flood of media information, and at the same time a deficit of research on the impact of the pandemic on social life. At the same time, the assessment of risks and effects of the pandemic caused by the spread of SARS-CoV-2 virus must be multidimensional and is subject to considerable uncertainty (Ragheb, 2020, p. 26).

Literature review

Development of the Covid-19 pandemic

In December 2019, a new viral lung disease, later named Covid-19, broke out in Wuhan, China. The origin of the virus is probably zoonotic and derived from bats. It is most likely that at the Wuhan market, the SARS-CoV-2 virus overcame the interspecies barrier and began to infect people. Originally, China tried to hide the outbreak of the epidemic by trying to silence the doctor-whistleblower, but the scale of the spread of the epidemic, primarily due to the infectivity of the virus, forced the Chinese authorities to take radical action. On February 8, 2020, shortly after the start of systematic analyses, 33,738 confirmed cases of the infection and 811 deaths were reported in China (Liu, Gayle, Wilder-Smith, & Rocklöv, 2020). On March 11, 2020, WHO announced the Covid-19 pandemic, pointing to the global health threat of the spread of coronavirus. China has become the first training ground for

fighting the pandemic and has shown examples of combating COVID-19 by applying radical public and health policies (Phelan, Katz, & Gostin, 2020, pp. 709–710). A dramatic increase in cases occurred in South Korea, Iran and Italy. After March 10, the dynamics of the epidemic development in Europe became greater compared to China. South Korea is one of the countries that fight the pandemic most effectively, which not only slowed down the rate of infection, but also has the lowest mortality rate, below 1% of those infected. As of March 16, COVID-19 is already present in 158 countries around the world, 170,237 people are infected, 6,526 people have died, and 77,788 people have recovered.

Recession as a result of a pandemic

The media are dominated by communication suggesting that the coronavirus pandemic will result in recession. This seems a fairly obvious observation resulting from the growing number of infections in most countries, closing schools and promoting social distancing measures, as well as sharp declines on global stock exchanges (Ramelli & Wagner, 2020). However, there is a lack of reliable research and estimates allowing to predict the scale of the recession. Undoubtedly, the impact of the pandemic on the economy will be very significant, given the scale of the epidemic and the vulnerability of the economy (Leiva-Leon, Pérez-Quirós, & Rots, 2020). Some commentators hoped that the effect would be limited mainly to China, but the scale and pace of pandemic development has consequences for the global economy (Brightman, Treussard, & Ko, 2020; Ayittey, F. K., Ayittey, M. K., Chiwero, Kamasah, & Dzuvoor, 2020; Khan & Fahad, 2020). It happened in a violent, unpredictable way and within three months took on a global scale (Sapovadia, 2020). Y. Bonaparte outlines three scenarios for the economic impact of the epidemic in the US, advocating the most radical intervention possible (Bonaparte, 2020). As a result, the author's recommendation of a minimum of \$500 billion in intervention and the reduction of interest rates

by the Fed, has already been implemented. In the editorial to the first issue of this year's "British Medical Journal", *Response to the emerging novel coronavirus outbreak* Kickbusch, I., and Leung, G. draw attention to China's decisive response in the fight against the epidemic, which is based on political decision. Probably many countries will need strong governance and fast decisions about health regulations that could respond to scale and speed of pandemic development (Kickbusch & Leung, 2020).

Fornaro, L., and Wolf, M. believe that the shock caused by the coronavirus will not only lead to a supply and demand crisis, but will also have significant impact on employment and productivity growth. This is due to the fact that agents are pessimistic about the growth of productivity in the future (Fetzer, Hensel, Hermle, & Roth, 2020). Since interest rates are below zero, central banks cannot counteract effectively. Employment and economic activity are falling sharply. Companies react by cutting investment expenditure, which negatively increases productivity and can in turn lead to recession (Fornaro, Wolf, 2020). Thus, as the literature review and, above all, the reports of financial institutions show, with the development of quarantine the economies of individual countries are entering a phase of stagnation and even recession. This will probably be reflected in a global recession.

Structural changes

It is likely that various sectors of the economy will be affected by the progression of the coronavirus pandemic to varying degrees, although the scale of the losses is likely to be very broad and multi-sectoral. The most sensitive and at the same time most affected by the epidemic sectors will include tourism, hotel industry, gastronomy, culture, show business, cinematography, transport, education and health (Albulescu, 2020a). Trade, financial, banking and insurance sectors as well as fuel extraction and processing, and many other activities are also sensitive (Albulescu, 2020b). Few types of specialized activities related to pharmaceutical production, medical devices, protection

and OHS, as well as selected types of ICT activities can count on maintaining or even increasing the growth rate. Probably the most threatened are entities from the SME group that do not have the resources to survive the crisis.

The likely consequence of the growing crisis of the world economy will be the increase in the intervention role of states and international financial institutions. Shielding economy packages that give the opportunity to: postpone loan and tax repayments, take over part of the employment or social security costs by the central budget, grant state aid, are introduced by governments of many countries, including France, Germany, Italy and Poland.

The fundamental change will probably also be the new attitude of governments to health care, which will be based more on safety management and disaster medicine.

Virtualization of communication

As a result of rapid virus proliferation, a revolutionary change is taking place in the dominant modes of communication. For reasons of health security, business, education, and even central and global administration moves online. This is a profound change involving: technical infrastructure and software, but above all the shaping of new socio-cultural patterns. It seems that the transition to web-based communication methods is taking place at a rapid pace and also includes training, motivating and controlling employees.

Education is one of the many sectors in which the rapid virtualization process is taking place (Leonardi, 2020, pp. 28–35). Schools and universities are radically transforming education by switching to online, e-learning forms and launching Learning Management Systems solutions (Tian, Zheng, & Chao, 2020). Similar processes take place in the area of e-administration, where most activities are starting to be conducted online.

Economic and social de-globalization?

The question is worth considering whether the Covid-19 pandemic will contribute to the increase of globalization or, on the contrary, will strengthen de-globalization tendencies. Both variants are possible. The increase in globalization may be explained by the structural tendencies described earlier. Recession, virtualization of communication, and the growing need for coordination of epidemic, health and medical activities between countries can force national governments and international organizations to strengthen cooperation on a global scale. On the other hand, de-globalization tendencies may take over (Balsa-Barreiro, Vié, Morales, & Cebrián, 2020, pp. 1–4; Kozlov & Sokolova, 2020, He, Lin, & Zhang, 2020). Undoubtedly, at the current stage of development of the pandemic, national governments play a leading role. They make decisions on health and public policies regarding: introduction of emergency states (e.g. Slovakia), division of the country into epidemic threat zones (China, Italy), closing of borders, forced quarantine and isolation of citizens, construction of hospitals, mobilization of health service, army and others services. The role of other institutions such as: WHO, churches, the European Union is complementary. In this sense, governments will generally come out with a stronger power from the pandemic crisis compared to the time before the crisis. At the current stage of the crisis (mid-March 2020), countries make their own choices, choosing more radical health and public policies (e.g. China, South Korea, Poland) or smaller-scale activities (e.g. UK, USA). Countries also rely primarily on the resources of their own health care and the national health and safety system. If large-scale, coordinated international action does not take place, we can speak of absolute dominance of fighting the pandemic at national levels, using only international experience. Let us hope that the development of vaccine and drug work is more international, which is favored by open access to medical publications on coronavirus. Thus, we will not find the answer to the question about the forecasted effects of a pandemic in the form of deepening globalization or de-globalization.

Conclusions

World experience to date in the fight against the coronavirus pandemic shows that, at this stage (March 16, 2020), national governments are the dominant actors in coordinating epidemic activities. They make choices about time, pace, depth and breadth of action, weighing aspects of public health and economic development. The key difference is between more radical solutions used in China, South Korea, Italy, Poland, and less resolute actions in the USA, Great Britain and many other countries. At present, it seems that public policy of states choosing pre-emptive, radical and large-scale actions is more effective. Much, however, depends on social discipline, the effectiveness of the healthcare system, and the effects of the pandemic that will show up in the economy. Undoubtedly, the effect of the pandemic is the strengthened role of national governments whose citizens hope to stop the epidemic or at least alleviate its effects. Therefore, the question arises whether strengthening the central government will give rise to de-globalization tendencies. Especially that it seems the effect of a pandemic may be recession and structural changes in many economies that may strengthen tendencies towards economic nationalism.

The undoubted effect of the pandemic will be the rapid and progressive virtualization of economic and social life. After the pandemic expires, the transfer of entire sectors of the economy and administration to the network may be slowed down, but changes in habits, reduced operating costs, and the infrastructure created will strengthen virtualization.

The Covid-19 pandemic will be the subject of much research in the future. The article merely signals the threads of a pandemic recession, virtualization of the economy and society, effective public policies and effects on globalization. The limitation of the article is its speculative nature, which is based on very little literature on the social, economic and cultural effects of pandemic development. I would like to thank experts and reviewers for sharing their comments.

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