

Pandemic Economic Crises

Subjects: Economics

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The market serves as the convergence point of supply and demand and represents the process through which market relations between economic units materialize. From a global perspective, the focus shifts to the world market, which is the fundamental structure on which the global economy is based. The world economy operates as a very complex ecosystem. When it is exposed to the extremely damaging effects of a global pandemic, the term of a pandemic economic crisis becomes relevant.

Keywords: market economy ; economic crisis ; financial market ; pandemic ; COVID-19

The financial system, which fundamentally serves to accumulate and distribute monetary assets, operates based on two models: the Continental and the Anglo-American model. Irrespective of the models, recent decades have witnessed a significant growth potential within the system, driven by a convergence of technological advancements and the benefits of accelerated globalization ^[1]. However, in the first decade of the twenty-first century, the first indicators of an economic downturn began to emerge in the form of market turbulences. Consequently, market participants found themselves impacted by the emerging global pandemic amidst an economic recession caused by slowing productivity growth, attributed not solely to the 2007–2008 global economic and financial crisis but also to underlying structural economic issues, as noted by the International Monetary Fund (IMF) ^[2].

The early twenty-first century was characterized by constant technological progress. The economic growth in the second decade was challenged by a new threat in the form of the onset of a global pandemic caused by the SARS-CoV-2 virus. The disease called COVID-19 brought about turbulence in the world market, which affected all market actors, has few parallels in modern history. The pandemic has caused significant disruption to health systems, triggering widespread panic and uncertainty around the world. The combination of uncertainty and panic lead to the disruption of transactional market mechanisms, which resulted in the gradual onset of the Pandemic Economic Crisis. This type of crisis has been seen several times in modern history. However, given its scale, the currently emerging crisis differs from previous ones in many respects. The presented study brings a systematic insight into the issue of Pandemic economic crises in the context of financial systems. The factors that created the conditions for strong growth at the beginning of the economic cycle have thus been exhausted by the slowdown in the pace of technological convergence and the ageing of the workforce. In conjunction with the saturation of world trade, these factors pose a significant threat to the system. In the years preceding the onset of the COVID-19 pandemic, the growth was marked by the postponement of serious problems, which in turn created the environment for the emergence of a recession ^[3].

The SARS-CoV-2 pandemic, which emerged at the beginning of 2020, has affected all market players. Its rapid spread led to extensive restrictions, concerning primarily mobility, which ultimately disrupted traditional logistics flows. Studies on this issue suggest that the global economy has been severely affected by the combined effect of adverse factors culminating at the time of the onset of the global pandemic. In the light of these adverse factors, there is still a great deal of uncertainty regarding the economic effects of the COVID-19 pandemic where the first ones could be noticed as early as in the first year of the pandemic, mainly in the form of rising inflation and disrupted logistics chains ^[4]. Despite these indicators, the impact of the pandemic on the world economy was greatly underestimated in its beginnings, leading to weaker stimulus measures ^[5]. Changes in the global economy occurred mainly at the level of consumption structure. The changes in consumer buying behavior gradually evolved into a global crisis that damaged the economy and depleted the health sector. It can be assumed that the disruption of the whole ecosystem will lead to socio-economic changes ^[6]. In this context, the present study brings the topic of pandemic economic crises closer to a wider professional public. At the same time, the authors aim to summarize the findings for further research on the issue.

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