

# Globalization and the COVID-19 Pandemic

Subjects: Economics | Development Studies

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The rapidly spreading COVID-19 pandemic in 2020 not only brought many countries in the world to a state of health crisis, but also increasingly drove economic and social crisis. The roots of these crises, however, run far deeper and can be traced to decades of neoliberal political and economic actions and driving forces of globalization. Increasing globalization and liberalization of markets led to the increasing privatization of many public goods while collectivizing risks such as environmental disasters, pandemics and economic crises.

Keywords: COVID-19 ; crisis management ; basic income ; environmental politics ; globalization ; public policy ; inequality ; sustainable development

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## 1. The COVID-19 Pandemic and Its Effects

The severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), otherwise known as COVID-19, is a zoonotic coronavirus which is transmitted from animals to humans, and then between humans. On 11 March 2020, the global disease was classified by the WHO as a pandemic <sup>[1]</sup>. Coronaviruses can mutate genetically to create new outbreaks, as seen recently <sup>[2]</sup>. This makes it imperative for us to be prepared for ongoing pandemics and further crises.

The degree to which the various regions have been affected, together with the severity of the course of the disease, can be attributed to a number of parameters. In addition to the measures taken in the respective country, these include infrastructure parameters such as the provision of intensive care beds, individual disease profiles and sociodemographic characteristics, along with age and the environmental conditions in the respective country, such as air pollution, for example. All play a major role <sup>[3][4][5][6][7][8]</sup>.

Since the outbreak, numerous countries have taken drastic measures to curb the spread of the virus. These range from entry and exit restrictions to border closings. Entire lockdowns have been decided on to minimize social interaction and thus reduce the spread of the disease. International air traffic, tourism, transport, the production of non-systemically important goods and a wide variety of shops have been closed.

Meanwhile, financial markets have tumbled globally in response to the pandemic as more and more economies experience economic distress. Workers have lost their jobs as companies have had to switch to short-time work, or close completely. Many freelancers, particularly artists and cultural workers, but also small businesses, can no longer keep going. In order to cope, some countries have designed a variety of aid packages. The German government, for example, has come up with a multi-billion-dollar package. In addition to supporting the health sector while fighting the pandemic, payments to cushion the loss of income for families, companies, freelancers and individuals have been promised and large economic structure funds with guarantees and loans have been set up <sup>[9]</sup>. However, in numerous cases, those affected are not covered by government measures.

By increasing intra- and intergenerational inequality, climate change and its effects will not only decrease the welfare of the current generation but also affect the welfare of future generations. Along with increasing local and global inequality, the outbreak and rapid spread of the COVID-19 has led many scientists to question current policies as they face the need for a sustainable development policy <sup>[10][11][12][13][14][15]</sup> to be better prepared for such crises in the future and more able to react to environmental damage, inequality and their effects. While facing up to the current health crisis, society has experienced the limits of globalization. Currently, three globalization crises can be identified <sup>[16]</sup>. Firstly, there is the neoliberal capitalism crisis, driven by ongoing growth and pushing ahead regardless of rising inequalities and global injustice. Secondly, there is the ecological crisis, which affects the emergence of further pandemics and the way ahead despite environmental damage, global food security and global inequality. Thirdly, there is the COVID-19 pandemic as a health crisis, which is often seen as an expression of the failure of neoliberal policies, and that has burdened both the economic and social structures of society, thus further contributing to inequality and injustice on a local and global level.

The implications from all this call for us to redefine the rules of globalization in a bid to fight against the emergence of these crises. Clearly, governmental policy must change from being a reactive to a preventive one. The maxims of public policy must be redirected away from growth and GDP maximization to other values such as resilience and sustainability.

## 2. Globalization and the Need for a Sustainable Transformation

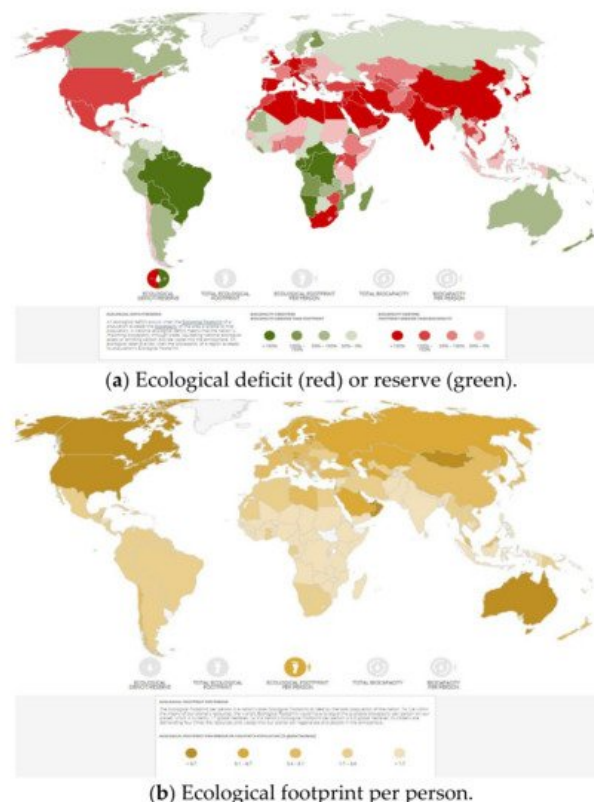
### 2.1. Globalization, Environmental Damage and Inequality

The COVID-19 pandemic is taking place in a highly globalized system that is easy to follow in global production chains.

Empirical evidence suggests thereby that globalization is directly correlated with economic growth. Dreher <sup>[17]</sup> was the first study that showed a strong and positive correlation between overall globalization and economic growth. However, increasingly cheaper products due to rising productivity and production in Third World countries raise global environmental and inequality issues.

Global networking not only favors trade and the mobility of people in private as well as on the job market, but also examines the question of global externality management in order to counter climate change and environmental damage. The free movement of goods, services, information and people across national borders is accompanied by the movement of emissions and environmental externalities that arise on a national level to become a global, or at least nationwide, problem.

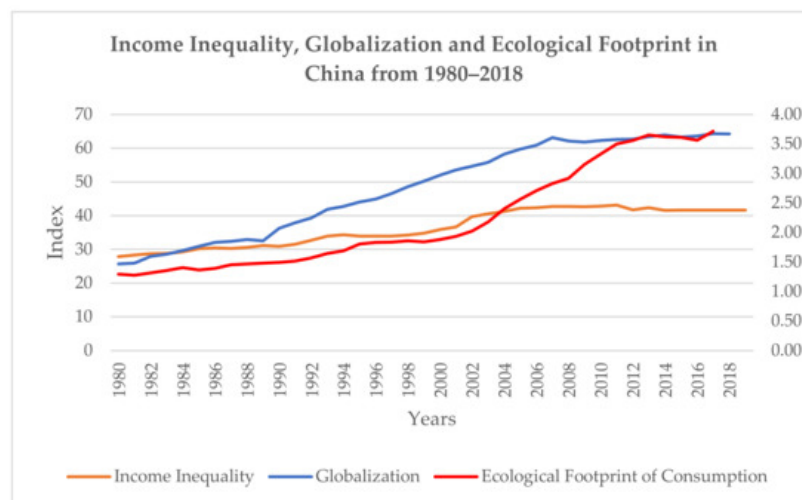
Figure 1 clearly shows that the industrialized and emerging countries, which have grown strongly with globalization in the last decades, also have the largest ecological footprint <sup>[18]</sup>. Both the ecological deficit (Figure 2a), which measures the difference between the ecological footprint and the biocapacity, and the ecological footprint per person (Figure 2b) are more pronounced in these countries (the ecological footprint is a measure of the productive area of land and water resources that, for example, an individual requires to compensate for its consumption activities. The ecological footprint used here is provided by York University Ecological Footprint Initiative <sup>[18]</sup> and distributed by the Global Footprint Network. Scientific literature on the ecological footprint include <sup>[19][20][21]</sup>).



**Figure 1.** Ecological deficit and ecological footprint by <sup>[18]</sup>.

There are also numerous theoretical and empirical studies examining the relationship between inequality and globalization (among others <sup>[22][23][24][25][26][27][28][29]</sup>). Even if a positive correlation between globalization and inequality cannot be empirically proven for every country, globalization processes can be shown to have a certain influence on inequality <sup>[25][26][30]</sup>.

Figure 2 shows the three variables of income inequality, the degree of globalization and the Ecological Footprint of Consumption over the period from 1980 to 2018 for China. We have chosen the 10% share in income inequality to measure inequality. This refers to the share of pre-tax income accruing to a given proportion (10%) of the population [31]. The higher this value, the more unequally income is distributed. We measure the degree of globalization with the KOF Globalization Index [32]. The higher this value, the more globalized the country. The Ecological Footprint of Consumption is used to measure environmental externalities and is composed of the Ecological Footprint of Production and the net Ecological Footprint of Trade [18]. All three measures have increased steadily since the 1980s for China.



**Figure 2.** Income inequality, globalization and ecological footprint in China. Own illustration based on [32][31][18].

There is no doubt that globalization has also contributed to wealth creation through free markets, vaccination programs, infrastructure development, water provision and the increase in public health systems in many areas of developing countries, including China and India [10]. However, the same process has also led to ecological destruction, not only in terms of climate change, but also in pollution and the destruction of biodiversity and habitat [33], which favors the emergence of pandemics and further ecological crises.

This globalized system, with its tendency to expand the division of labor, thereby increasing social differentiation and inequality while steadily increasing productivity, is also reflected in the consequences and effects of the pandemic [34]. The steady expansion from local to global markets in the course of globalization is overcoming the once natural barriers that prevented the spread of pandemics by keeping them locally contained. In the event of an outbreak, the free movement of goods, services and people ultimately accelerate the rapid spread of the above, as happened with the SARS disease in 2003 [35][36][37][38] and has now been observed with the COVID-19 disease. Since all this is well-known, it should have led to measures to increase resilience and restrictions after the first SARS crisis. However, the collateral damage to health, the environment and the social system appears to have been gauged as manageable, or too insignificant to warrant being reacted to. One way or another, adequate adaptive economic, social and political learning did not happen. The reasons for this are manifold, but they are based on neoliberal economic policy.

## 2.2. The Problem with Neoliberal Politics

Neoliberalism, as with globalization, is a construct that is difficult to reduce to a common denominator but can be found in many different interpretations and forms [39][40][41]. Central elements of neoliberalism are “its conservative political agenda; emphasis on “free” markets; and withdrawal of the state from social reproduction” [41] (p. 2). Neoliberalism is more than an economic theory; it is also a political stance that is characterized by the market being elevated to the founding principle of society and the state.

Neoliberalism is seen as a central driver of globalization as well as the central factor of a profound social and political–institutional change. Neoliberalism enabled governments in the late 1970s to move away from state-directed economic policies to a model of competitive markets, which paved the way for capital domination.

The weaknesses of neoliberalism are very clearly demonstrated by the example of the U.S.A. in the COVID-19 pandemic [41]. On the one hand, there are the precarious working conditions of some parts of the population; many employees do not have sufficient social insurance and therefore do not receive a salary in the event of illness. They therefore come to work sick, which meant that many people were infected by the virus in a very short time during the pandemic [42]. The

second problem is the lack of access to adequate health care due to the lack of insurance coverage. Since the majority of the health care system has been privatized as a result of neoliberal policies, health care is not fully available to larger parts of the population <sup>[41][42]</sup>.

However, current measures and movements seem to clearly indicate that neoliberalism is to continue to enjoy dominance in the political and economic system and has by no means found its end through the pandemic <sup>[37]</sup>. We see this clearly, for example, in the opposition to an unconditional basic income or in the numerous, state-funded packages of measures to maintain and stimulate the market and growth in and after the crisis (for example, <sup>[9][43][44]</sup>). The neoliberal view of individuals as human capital is also evident in the asymmetrical treatment of population groups and their state support. Not all countries and not all social groups are affected by the effects of the COVID-19 pandemic equally; access to health care and food, financial security, and even the possibility of isolation from the virus through home offices and home schooling are not the same for all social groups. While wage continuation payments, home office options or short-time work benefits were implemented for certain workers, some groups, especially artists and cultural workers, nurses and caregivers or simple workers hardly received sufficient state support in their commercial activities during the pandemic.

Neoliberalism is therefore repeatedly criticized, especially against the background of the COVID-19 pandemic <sup>[41][42][45][46]</sup> but also by the Planetary Health movement <sup>[46]</sup>.

However, neoliberal economics has also strongly promoted the ecological crisis. For example, the capitalist-driven, industrial agricultural sector is partly responsible for the emergence and spread of coronaviruses, especially through deforestation of the rainforest <sup>[47]</sup>. In addition, the ongoing privatization and unregulated competition is fueling enormous economic growth that is driving the use and overexploitation of natural resources that are not adequately priced into this system. This is especially true in the unregulated area of environmental externalities, which are increasingly becoming a global problem and at the same time are closely linked to increasing inequality and increasing globalization.

Capitalist-induced growth is thereby characterized by psychological and structural growth factors <sup>[48][49]</sup>.

### 2.3. Globalization and Pandemics

This globalized system, with its tendency to expand the division of labor, thereby increasing social differentiation and inequality while steadily increasing productivity, is also reflected in the consequences and effects of the pandemic <sup>[34]</sup>. The steady expansion from local to global markets in the course of globalization is overcoming the once natural barriers that prevented the spread of pandemics by keeping them locally contained. This is evident not least in the evolutionary outbreaks of viruses such as COVID-19. In the event of an outbreak, this free movement of goods, services and people ultimately accelerate the rapid spread of the above, as happened with the SARS disease in 2003 <sup>[35][36][37][38]</sup> and has now been observed with the COVID-19 disease. Since all this is well-known, it should have led to measures to increase resilience and restrictions in the free movement of goods after the first SARS crisis. However, the collateral damage to health, the environment and the social system appears to have been gauged as manageable, or too insignificant to warrant being reacted to. One way or another, adequate adaptive economic, social and political learning did not happen.

Decades of increasing globalization and its consequences have contributed to a global ecological crisis and brought about the current pandemic as an expression of years of environmental destruction and human intervention in ecological systems <sup>[16]</sup>. While public goods and services have been privatized and monetized to increase economic growth, under the paradigm of neoliberal politics, the risks and effects of this growth have been socialized <sup>[50]</sup>. Globalization has created numerous institutions to ensure the mobility of people, goods and services and consequently promote free trade, but it has failed to create common, collective rules for environmental standards, labor markets and health policy, nor strategies for the emerging redistribution problem through common social policy <sup>[50][10][13][51][52]</sup>. One element in dealing with the crises of globalization is therefore the provision of (global) public goods <sup>[53]</sup>. These are necessary to address the global problems of environmental pollution, climate change and global inequality. This reflection on global collectivism <sup>[54]</sup> is necessary in the current global crisis, not only in relation to the COVID-19 pandemic, but also for sustainable development.

## 3. Implications of Crises

Capitalist-driven economic growth in the wake of globalization has led to increasing networking among the world's population. This strong connectivity has, however, not only brought advantages but has also led to an increase in inequality and injustice. This downside affects the environmental conditions in which people have to live, their social standards and distribution of opportunities, their wealth and income as well as their working hours and leisure options.

The COVID-19 pandemic reminds us that, for years, we have failed to tackle the environmental and social policy crises conceptually and effectively, nor have we managed to combat them with an integrated approach that also addresses the roots of the problem.

The ecological and social crises are the most serious of the three crises mentioned above and they will not diminish in the medium term, unlike the health crises of the COVID-19 pandemic. Thus, it will continue to be necessary to persist in climate change efforts, further reduce emissions and take measures to rethink our relationship to civil society and politics. However, the social crisis is further exacerbated by the pandemic due to increasing insolvency, debt and poverty, as well as unemployment and inequality. When resuming economic activities and overcoming the health crisis, care must therefore be taken not to act at the expense of the other two crises, but rather to question the causes behind them (Figure 3).

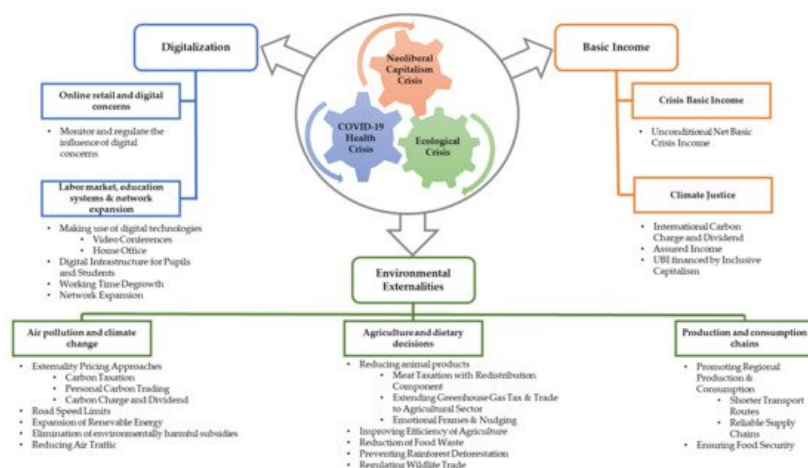


Figure 3. Implications from the three globalization crises. Own illustration.

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