ABSTRACT

Disease epidemics have plagued humans and society since time immemorial, such as Plague, Cholera, Spanish Flu, SARS, Bird Flu, and Swine Flu. It is impossible to predict when this epidemic will appear, and it always has a huge impact, both from a health and economic perspective. An epidemic or disease outbreak on a global scale is also known as a pandemic. This study aims to analyze the effect of income on consumption by using the consumption theory of the absolute income hypothesis before the Covid-19 pandemic and during the Covid-19 pandemic in the world. The study was conducted by grouping countries based on income with the criteria and conditions set by the World Bank. Using OLS (Ordinary Least Square) regression analysis with cross-sectional data on GDP per capita and household consumption expenditure per capita, several results were determined: (1) Income had a positive effect on household consumption. The condition illustrates that the absolute income hypothesis theory applies. (2) Despite being in a state of crisis, the absolute income hypothesis theory applies. (3) People in low and lower-middle, upper-middle, and high-income countries are generally rational.

Keywords : Income, Consumption, Absolute Income Hypothesis, Covid-19, World Bank Income groups

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