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BUSINESS

‘It would be devastating’: If Canada gets hit by a second COVID-19 wave this fall, government money could run out and some sectors may not survive

By **Joseph Hall** Special to the Star

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A second wave of COVID-19 this fall would send a tsunami through the country’s economy and in a worst-case scenario leave millions looking for the basic means to survive, a University of Toronto expert says.

With government aid capacities stretched thin, many industries on the ropes and the psyches of Canadian consumers already frayed, autumn spikes like those forecast for the U.S. could be catastrophic to both the health and wealth of this nation, according to several top economists.

“It could be really nasty,” says David Soberman, a marketing professor at the University of Toronto’s Rotman School of Management. “It’s really quite serious.”

Soberman says the country’s federal coffers have already been hit with a COVID-19 deficit well north of \$300 billion this year, due largely to personal and corporate relief programs.

“And that doesn’t account for the deficits that are being run at the provincial and local municipal level,” he says.

“If we have a second wave it’s going to be very difficult to continue opening businesses, and that will have a very negative effect on the revenues that governments have as well.”

Should a second wave cause closures and lockdowns on the scale seen in the spring, Soberman says, many Canadians could be looking to governments for simple survival assistance — food and electricity — as winter closes in.

“There’s a big difference between ensuring that people are still fed and can stay alive versus the type of support that we’ve had until now, which has been a lot more generous,” he says.

“We don’t want to end up in the world of countries that really have terrible social, economic and income conditions, but that could ultimately be what happens if this keeps going on and on.”

Soberman says we’ve yet to figure our way back to an old normal as we emerge — haltingly — from the first viral wave. And a second major spike would only make these matters worse.

Take public transit and downtown workplaces, for example.

“A huge percentage of (city dwellers) commute in order to get to their jobs, and we haven’t even figured out how to crack that nut,” he says.

“How do we actually allow people to get to downtown Toronto or downtown Montreal in a safe way — and work in buildings?”

Like many elements of our infrastructure and industries, a second wave would exacerbate many such issues — problems that some already see as intractable.

The first coronavirus wave, for example, has placed many industries whose profits require that people crowd together in existential peril. And a second coming may take some things like sports, theatres, bars and restaurants, and airlines and tourism beyond a recovery point.

Ambarish Chandra, an associate professor in economic analysis and policy at the U of T’s Rotman school, says it’s possible that some of these sectors may not survive a second wave.

While it’s too early to speculate on their future, Chandra says that each of these sectors alone would not doom any eventual economic recovery.

“Take for example ... restaurants and bars. The economics usually require people to be packed in fairly tightly to maximize the revenue per square foot and so on,” he says.

“That’s a lot of economic activity, but it’s still a small fraction of the overall economic activity that we can reap from retail trade, stores, construction and regular employment.”

Thus Chandra says that ongoing first-wave reopenings of indoor bars, restaurants, theatres and the like might best be slowed or stopped to stave off a second spike.

“The cost of trying to reopen those businesses and require close proximity was sort of not realizing the potential shock of having to close down everything else,” he says.

“Governments are facing a lot of pressure from individual sectors, from airlines, from restaurants, from professional sports, but no one sector I would say is all that important given the risk of shutting down all sectors together.”

Chandra says the full picture of Canada’s debt and revenue shortfalls from a lingering first wave have yet to be revealed.

“So it’s hard for me to quantify how big the hit would be if this were to happen again in the fall,” he says.

“But it would be devastating, is probably the only way I can quantify it.”

In Toronto, for example, first-wave shortfalls have already placed the city in such dire fiscal straits that it would need billions of dollars from Ottawa and the province to avoid massive cuts to transit and other services.

“I would imagine at some point they would need assistance and they would get it,” Chandra says. “But it’s hard to imagine they could go through another one of these again.”

Steven Hoffman, director of York University’s Global Strategy Lab, was pegged this month to head the United Nations Research Roadmap for COVID-19 recovery.

That undertaking will look significantly at the development of economic and social strategies that could help marginalized people around the world recover.

Those are the people, Hoffman says, who must be a main focus of any second-wave COVID-19 plans in Canada.

“It’s really important to note that pandemics are manifestly unfair because the greatest effects are borne by the people who already are the least well off,” Hoffman says.

“We saw that in the first wave and of course we will see that again in the second wave unless we take steps now to better ... all members of our society,” he says.

Hoffman says there is little doubt a second wave will wash up in Toronto and that the best way to help marginalized people here would be to take aggressive steps now to keep its magnitude to a minimum.

“I think the big difference with the second wave is that we know it’s almost a certainty to come (and) we have some guesses about when it’s likely to come,” he says.

“And as a result we have some time to prepare and make sure that the second wave is as small as possible and that the effects of that wave are not disproportionately borne by the least well off in our society.”

Hoffman says the importance of marginalized people in Canada has been made plain by the pandemic — the front-line, minimum-wage workers, for example, who have kept the grocery and drug stores open.

And a failure to properly protect and compensate them during a second wave would endanger everyone, Hoffman says.

“We’re all in it together (and) to the extent that society is imposing things or making demands on people that make their lives even more precarious, it’s then just going to be natural that those people are not going to be able to follow what society is asking of them,”

he says.

“And as a result we’re all less well off.”

Vik Singh, a global management expert at Ryerson University’s Ted Rogers School of Management, agrees that a second wave poses massive economic perils to the entire economy.

“The reason being that we’ve already been economically devastated by the first wave,” Singh says.

“The challenge will be for policy-makers to come up with further programs to assist the economy ... because of the deficit.”

Singh also points out that Canada’s economic well-being has long been tied to the health of the U.S. economy. And with public health experts there predicting an almost certain fall flare up, the Canadian economy — especially Ontario’s — would surely face additional downward pressures.

“So I think the concerns are pretty high if we do face a second wave,” Singh says.

Singh says a second wave could diminish the impact of measures like the Canada Emergency Response Benefit (CERB) and wage subsidy programs that governments have used to prop up the economy during the current go-round.

“If the revenues don’t come, if the economy doesn’t get revitalized, these measures are probably not going to be that effective,” he says.

And while Canada has the fiscal capacity to cover such programs through the near term, the accumulating debt they bring will have long-term consequences, Singh says.

For example, the country has already seen a downgrade from its AAA rating from the major credit rating firm Fitch Ratings, he says.

“And if further downgrades happen, that’s going to have long-term implications.”

Soberman says it will take a widespread and effective vaccine or treatment to fully pull us out of the first wave, and that neither is likely to be available within the next year.

A threat to that already precarious timeline? Having to endure a second wave, Soberman says.

“I sure hope we don’t.”



Joseph Hall is a Toronto-based freelance writer.

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