



Commentary

April 2020

Facing the Human and Economic Costs of Fighting COVID-19

This commentary is based on an analysis provided on March 21, 2020, to policy-makers, including governments, trade associations and think tanks.

Rob Wildeboer

Today we live in a time of pandemic and economic recession in Canada and elsewhere. And both may get worse. There are tough choices to make, and we need to strike a balance so that measures taken today do not have even more devastating consequences in the future.

In dealing with a crisis, we need the correct facts, we need to do a rational cost-benefit analysis, and we need to understand and work through our biases, to make proper policy and achieve the best result for all.

We need to fight the pandemic appropriately with social distancing practices as a new way of life; we need to continue to use measures to alleviate the strains, current or coming, to our limited health care resources; we need governments to provide leadership to fight the disease, to support the financial system and economy, to alleviate the pain of economic disruption; and we need to keep the economy moving and get the economy moving again as soon as possible because of the economic and social tragedies that will come if we don't. People need to work; they need to be productive to take care of themselves and their families, and that too is great social policy.

The cure to the COVID-19 threat must not be worse, short-, medium- or long-term, than the disease. At some point, we have to restart the broader economy. A tipping point to do that will come, and I believe needs to come as soon as possible.

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This is a human tragedy, one which we must tackle with vigour and intelligence, and the efforts of so many are to be applauded. Our front-line workers are heroes. Kudos to all those trying to do their best to fight COVID-19. Health care workers, firefighters and first responders, legislators and regulators, and companies that are stressing safety for their people in ways that we have never seen. And our workers everywhere, who continue to provide essentials such as food and drink, electricity, and goods and services our society needs, and wants.

Unfortunately, while asking so many to sacrifice, we are operating in the dark to a great degree, in large part due to a lack of testing capacity in Canada and elsewhere, but also because this is such a new virus and the situation is changing rapidly. The data we are seeing typically only includes known cases, cases that have been tested. It does not include people who may have the virus but were never tested, or who had it and got better, or who were exposed to it and were asymptomatic.

These figures are certain to be many times higher than the confirmed cases. The incidence of the disease as presented is much too low. And the fatality rate as presented is too high. Canadians need to have this perspective if they are to properly understand the hard choices we need to make. We need the right facts. We need to avoid a biased representation of the facts, conscious or otherwise. And we need to accept the reality than an exaggeration of the crisis simply creates over-reactions, whether in public perception or government response.

I understand that current lockdown policies have been taken to try and delay the coming “surge” in cases so that we do not overwhelm our health care services, whether treating COVID-19 cases or other conditions. That makes sense at this time. Our health care systems, in Canada and many other places, are not ready, and maybe logically could never be ready, for a pandemic surge.

But we must ask what comes next, and understand the impact of a prolonged period of lockdown policies without a plan to start to get back to life and work.

The costs of the public health response

It has been an incredible three months. Borders have been closed, businesses have been shut down, government money has been promised like never before, stock markets have seen declines seldom seen in history. I am only going to touch on a few areas, and more to point out the costs that need to be considered in a cost-benefit analysis in making public policy.

I believe that one has to balance the benefits of dealing with the spread of COVID-19 with the costs of shutting down economic and social activity, and that while right now the balance is in favour of the “health view,” at some point we are going to see a tipping point, where we will live with the costs of the virus while getting on with needed economic activity.

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The most popular argument for imposing lockdowns and social isolation is to flatten the curve so we can limit, or manage, the demands on our health care system, not just to save lives of COVID-19 infected patients who will eventually need the system, but to ensure the system can handle the demands of other patients, dealing with cancer, etc. This makes a lot of sense. We don't want the death rate to be higher in any category than it otherwise would normally be.

But I believe we cannot shut down for a prolonged period because of a health crisis, even a pandemic. We are at war with the virus to be sure. But we must eventually continue to function as a society in the face of peril.

I fully agree that any life lost prematurely for any reason is tragic. This is true whether from a disease or a flu-related condition. But economic depression costs lives, too, and we must consider that.

I am not a social scientist or an expert in psychology, or an economist. But I am privileged to be a leader in a great company whose vision is to make peoples' lives better by being the best we can be in the products we make and the services we provide. That means that at the top of the list is a mission to take care of our people, and their loved ones, and our communities. Safety comes first. We have 17,000 wonderful people working for our company, in nine countries on five continents, and people who have experienced the COVID-19 crisis first in China, but then also in Germany, Spain, Slovakia, Brazil, Mexico, the US and Canada.

Since this crisis has started, we have been extremely active in safety measures, including social distancing, people working from home and so forth. Indeed, the entire auto industry, the world's largest manufacturing industry, has been extremely focused on safety. We have plants in China so by the time the virus came to Europe and North America, we had some good experience.

As of March 29, we had four employees we knew of worldwide potentially having the virus; all are isolating themselves and are I believe doing well. Knock on wood.

Our people have remained upbeat, positive and frankly very mature about the virus. People are smart, and they know how to deal with things. I am very proud of our team.

We have had to announce layoffs, severe throughout the company, as most of our customers have shut down their operations, which was a very sad event. We hate doing this, but we need to survive any downturn.

We appreciate EI and other government support programs. While our premiums go into EI to fund the program, no one wants their employees to use them.

Our people are worried about their futures, and I worry with them. One study shown to me shows that 60 percent of all workers in the US live paycheque to paycheque; they don't have six months of savings in the bank to weather a layoff. In a very short time, if not already, they are going to worry about paying debts, buying food, buying medicine. We cannot pay them forever, or we go bankrupt - we have no revenues coming in. And frankly the government cannot pay them forever either, and if they try to, money has to come from somewhere, and our ability to pay as an economy will dry up.

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If people cannot work and cannot get paid, all kinds of things happen, really fast. Debts don't get paid. People stop buying things. The economy grinds to a halt. We are already in a recession I believe.

The social issues grow rapidly. Of course, the worry, stress and often depression that comes with an inability to make ends meet, or the expectation of that, can be enormous. And what we will see at some point, is the pressure of a whole group of workers to reopen the system, to get back to work, placed on governments, companies and otherwise. There will/could be a great deal of social unrest.

Right now, the OEMs (Original Equipment Manufacturers) in the auto industry have had plant shutdowns for a few weeks. Even as demand falls, there will be enormous pressure to restart in the relatively near future. Or we will start to see our largest manufacturing industry in peril.

The fact is the government has to be the leader on health care provision, closing borders, etc, especially in a place like Canada where health care is publicly provided. It is absolutely clear that we have to get the best health care we can, and that means using the means at our disposal to meet the crisis. We may not have been very ready for this, but we can do the best we can now.

That means, for example, more ventilators. I note that people in the auto industry have offered to assist where possible to increase supply. We have talked with several manufacturers to work together and a company in which we are the largest shareholder is producing parts for ventilators in Europe, and obviously ramping up production. We are working with companies in the industry such as General Motors to make parts for ventilators. Our people in Spain are making masks for doctors.

The government also is passing regulations for quarantines, closing of bars and restaurants, etc. They have declared in many places a state of emergency until a certain date. The result of this is a significant lessening of economic activity, but a significant amount of economic activity has also been reduced voluntarily by industry for safety reasons or lack of demand.

So far, Canada and the various provinces have been quite mature in addressing the issues, whether one agrees with every decision or not. I would commend the way it seems different governments and their leaders have been working together.

However, at some point, the government will meet that tipping point I mentioned, and will have to ease up on the regulation, and react to public pressure to open up the economy again. That day will certainly come; the question is when. If the pandemic has eight weeks to run, there will be enormous pressure to open up, regardless of whether the COVID-19 numbers keep going up. I believe that people, especially younger and less vulnerable people, are going to push for a "return to normalcy" before then, and it will not be pretty.

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The costs of the economic response

We are in uncharted waters when it comes to policy measures to keep the economy from seizing up completely, and getting going again when the crisis is relieved. The US emergency stimulus package was US\$2.2 trillion and no doubt more is on the way. Canada is spending hundreds of billions.

I believe the support for the financial system to keep money in the system is warranted. We learned some good things, and some bad, in 2008-9. I had the privilege of being an advisor to our finance minister in those days and the government provided good support to our banking system, which came through as the strongest in the world. Governments also agreed to be lender of last resort. Canada agreed also to a big short-term infrastructure commitment.

Today's fiscal measures are welcomed currently by the public for the most part, and of course by every recipient of a cheque.

The governments here and in the US have offered a ton of support to industry, for example the airline industry, and apparently the oil industry. They will presumably be there (again) for the auto industry if needed. And they have offered to pay all kinds of individuals. On that score, by the way, there may be a case for a guaranteed basic income, at least during the crisis, which may be easier to roll out than other financial relief; I am normally not a big fan of that, but in times of crisis one looks at every option.

But be careful. Keep your head when everyone around us is losing theirs.

The fact is that all the money being spent today means future payments from somebody, and that's us, the individuals and companies that pay taxes, whether income, corporate, payroll, etc.

A long-term recession is no good for anyone. A deep recession or depression is worse. And the quicker the economy can get back to work the more limited the cost to government, which means the more limited the cost to us all. We will need to have economic activity to provide jobs, money, security and health to our workers. The government cannot do that. As a business-person, I know how to take care of people that work for us, but I have to be in business to do that.

So, my thought here is to view government spending as a limited time, short-term thing to the extent possible. It will be better to spend money investing in modernizing the health care system and getting more nurses, for example, than in paying laid off industry workers.

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Some long-term benefits of dealing with coronavirus

In conclusion, we should keep in mind that there are a number of lessons learned and potential benefits that can come out of this pandemic threat and how we deal with it:

- a) This took us by surprise. It shouldn't have as we have had pandemics before. Bill Gates was talking about it five years ago, and he is an influencer. We were in retrospect stupid for not investing in our health care system in places where it matters. Popular demand should have supported the right kind of investment. Canada and the US are behind many other countries. We also didn't take this seriously enough in early stages, and many are too cavalier today, such as March Break party goers. So, let's be ready and invest in the right things. This is like a 9/11 event, but for health not security.
- b) This will affect behaviour in many positive ways. Cleaning, safety, and appropriate care on distancing will become normal. Also being aware of the hopes, fears and challenges of our fellow citizens. These are good things and we see good signs everywhere.
- c) Our economic systems are going to change. For Canada and North America, the need for domestic (i.e., North American) supply chains is and has long been evident to me. We have three countries in North America that can work together to create a wonderful 21st century as we all have things the others need and want. We will bring back work from China and probably others big time. On the negative though, we will likely see a less connected world in terms of tourism and some other things.
- d) In times of trouble and panic, people tend to think of deeper things. Many soldiers in a foxhole under fire called on God. I think people are going to focus more, for a time, on the meaning and purpose of life, on the brevity of life, on the importance of health, on the simple pleasures of having a job, on the ability to move around freely, on how to help our more disadvantaged, on thinking about our elderly and those that need our health care system, and toilet paper 😊. Maybe a little less thought on entertainment and sports teams, on global warming, on gender identity as the priorities of the day. They are all issues, but they are not the most important things in life. God is in control, we are not masters of the universe and people of faith will find great comfort in that. This has been a reminder and a reckoning. As one of our guiding principles in our company says, "Challenges make us better." I believe that is true.

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About the Author



Rob Wildeboer is the Executive Chairman and co-founder of Martinrea International Inc., a diversified and global automotive supplier engaged in the design, development and manufacturing of highly engineered, value-added Lightweight Structures and Propulsion Systems. Martinrea currently employs approximately 17,000 talented and motivated people in 57 operating divisions in Canada, the United States, Mexico, Brazil, Germany, Slovakia, Spain, China, South Africa and Japan. He is former chairman of the board of the Macdonald-Laurier Institute.

Previously, Mr. Wildeboer was a partner of Wildeboer Dellelce LLP, a law firm that practices corporate, securities, lending, tax and real estate law that he co-founded in 1993. Mr. Wildeboer has been an entrepreneurial investor, director or officer of a number of private and public companies and currently sits as Chair of NanoXplore Inc., a manufacturer and supplier of high-volume graphene powder for use in industrial markets. The company provides standard and custom graphene-enhanced plastic and composite products to various customers in transportation, packaging, electronics, and other industrial sectors. Martinrea is the largest shareholder of NanoXplore, and Mr. Wildeboer is Martinrea's representative on the board.

Mr. Wildeboer is a director of the Canadian Automotive Partnership Counsel (CAPC); a present and past advisor to the Governments of Canada and Ontario on a variety of economic, trade, investment, industry, innovation, manufacturing and automotive mandates; past Chair of the Macdonald-Laurier Institute and Chair of Cardus, both leading Canadian think tanks; and a director or advisor of numerous charitable organizations.

Mr. Wildeboer holds an undergraduate degree from the University of Guelph, a law degree from Osgoode Hall Law School, an MBA from York University, and an LLM from Harvard University. In 2012, he received the Queen Elizabeth II Diamond Jubilee Medal in recognition of his contributions to Canada. In 2018, he received the Jay Hennick Award from Osgoode Hall Law School and the Schulich School of Business for career achievement.



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