



**economicsense**

Autumn 2020 Newsletter

## Economics

**Fortnite vs. Apple** You have likely heard of Fortnite – you might even be playing it. Fortnite’s parent company, Epic Games, and Apple recently locked horns over who should profit from in-app purchases. Should it be the producer – in this case Epic Games – or the platform owner, in this case Apple? Apple wants to defend its business model (a 30% cut on any purchase made on its store). Fortnite says Apple is abusing market power. Fortnite is smaller than Apple but has some powerful backing, including Microsoft. Fortnite’s challenge could be the first battle in a long war over who will control software distribution, which could shape this key industry for decades to come. The courts will have a major say in this. Whose side are you on?

**£2 trillion!** UK government debt has now hit £2 trillion making the UK’s ‘debt to GDP’ ratio around 100%. Chancellor Rishi Sunak commented ‘*we can’t sustainably live like this*’. But what is ‘sustainable’ when it comes to public debt?

Truth is there is no magic answer. Former Chancellors have worried about much less: Gordon Brown, for example, was keen to keep debt below 40% of GDP while George Osborne pursued austerity when public debt rose above 60% after the Great Financial Crisis. But total government debt in Japan has been over 200% of GDP for many years and Covid-19 means the UK is not alone in experiencing rising public debt levels.

Fact is, you can borrow as long as someone is willing to lend to you. With lending to government often seen as “risk-free” this can be a very long time. Moreover, low interest rates now make it relatively cheap. But this could change quickly if a government lost its credibility in the financial markets – leading to higher perceived default risk – and borrowing could get much more costly. And of course, we have got to pay it back ...

**How to pay for Covid-19?** How and when to pay for Covid-19 spending has hit the headlines recently. See latest analysis by economicsense on ‘Policy options to reduce the debt-to-GDP ratio without austerity’ here: [How to pay?](#).

**Care homes and Covid-19** I recently talked to Anita Charlesworth from The Health Foundation about the care sector and the impact of Covid-19. It is an important issue and a good example of applied economics. See: [Anita Charlesworth video](#).

**economicsense – making sense of economics**

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**Time for a trade deals** With just months left of the UK's transition phase, we need to get new trade deals in place. Some agreements have been signed but many more are still in negotiation – including with the UK's largest trading partner the EU. So why has the UK not signed more deals? Covid-19 chaos may have slowed things but more likely this is because negotiating trade agreements is a complex and lengthy process. For example, it took six years for the EU and Japan to negotiate their agreement and seven years for the EU and Canada to come up with CETA (Comprehensive Economic and Trade Agreement).

**Cartel spotting - Cheating or Competing?** The Competition and Markets Authority (CMA) have launched a quiz on cartels – could you spot one? Have a go: <https://cheatingorcompeting.campaign.gov.uk/>

## Upcoming events and courses

*All economic**sense** courses are now being delivered online. The courses are interactive, fun and you can learn from the comfort and safety of your own home.*

Free online bite-sized events open to economic**sense** newsletter readers.

- **Covid-19 and the economy October 9<sup>th</sup> 10am-10.30am** Following the successful event in June find out how the economy is doing. Register here: [Covid-19 free event](#).
- **Green Finance 18<sup>th</sup> November 1pm-1.30pm** What is Green Finance? How can it help us achieve environmental goals? Register here: [Green finance free event](#).

**Overview of cost-benefit analysis 1<sup>st</sup> October 2020** This course provides an introductory overview of cost-benefit analysis (CBA) suitable for economists. It is run by SPE Courses with Catherine Connolly and Ken Warwick as tutors. Booking via email to [info@specourses.co.uk](mailto:info@specourses.co.uk) or visit [www.specourses.co.uk](http://www.specourses.co.uk).

**Economics for non-economists 9.30am – 12pm on 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> of November** This course provides an accessible overview of economics. Topics will include market structure and competition, market failure and government failure. At the economy-wide level we will discuss growth, fiscal policy and monetary policy. There will be a special section on trade particularly useful for anyone working on Brexit-related issues. To book: [Economics for non-economists](#).

**Strategic Career Development for G7 Analysts 10am – 1pm on 4<sup>th</sup> and 11<sup>th</sup> December and 5<sup>th</sup> March 2021.** This course is designed to support strategic career development for experienced analysts - suitable for professional economists, statisticians, social researchers, scientists and operational researchers at G7/E level. To book: [Strategic Development](#).

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