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Winter 2020/2021 Newsletter

Economics

Vaccines and economics Climate change might be the "mother of all externalities" but the Covid-19 pandemic is currently chasing for second place - after all what can have a greater negative externality than an exponentially spreading transmissible disease? While economists have focussed mainly on the pandemic's impact on the economy, Covid-19 also offers an object lesson in policies to address externalities and free riding.

Take vaccinations for example. When you get vaccinated, you protect yourself and others – there is a positive externality. But what if we have free riding? Individuals might hope to benefit from the mass immunisation programme without getting vaccinated themselves. If take up falls below what is required to establish herd immunity, government will need to think about how to raise take-up.

The private sector has already signalled willingness to discriminate against customers based on vaccination status. Qantas, the Australian airline, has announced that all passengers flying with them in 2021 will require proof of vaccination. Other businesses might wish to copy. We can expect a debate on offering these "special privileges" to those who can prove immunisation in coming months.

EU Trade Deal The UK and the EU signed a trade and cooperation agreement at the end of December 2020. In broad terms, the trade agreement makes it relatively easy to trade goods in the sense that there aren't any tariffs or quotas - though custom declarations are needed and any divergence in standards may see establishment of significant barriers in the future.

But the agreement dramatically limits the scope for services trade. This matters: in 2019 the UK ran a trade deficit amounting to £97bn vis-a-vis the EU in goods. This was partly offset by a trade surplus in services of £18bn, rising to around £30bn once travel (which mainly reflects tourism where the UK has a substantial deficit) is excluded. This will require quite some adjusting to.

UK Regulation post-Brexit Divergence from EU regulatory standards was always a key discussion point during Brexit negotiations so expect a lot of activity here. Notably the government has announced a review of the UK's Business Impact Target – the way we measure the impact of regulation on businesses. The announcement states that the Government does not believe the current methods of assessing regulatory impacts allow the right regulatory balance to be struck

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between “supporting excellent business practice and protecting workers, consumers and the environment”. It is interesting that two highly significant policy developments – the EU trade deal and Covid-19 measures appear to have escaped independent scrutiny from the Regulatory Policy Committee (the UKs independent regulatory watchdog).

Future of Transport appraisal I recently talked to Amanda Rowlatt (Department for Transport) and James Richardson (National Infrastructure Commission) about the future of transport appraisal. See video here: [Webinar-the-future-of-infrastructure-appraisal](#)

2020 Green Book A new edition of the Green Book has been issued ([2020 Green Book](#)). The Chancellor’s interest in the Green Book has raised its profile and led to useful discussions about how it is *actually* used in decision making (See: [Review findings](#)). However, this certainly wasn’t the ‘ripping up’ the rule book to deliver levelling-up envisaged by some. Ultimately, as noted previously in this newsletter, the Green Book doesn’t make decisions – Ministers do.

Upcoming events and courses

*All economic**sense** courses are 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 Economic Update Wednesday February 3rd 10am–10.30am** Check in to discuss the latest developments in the economy. Register here for free: [Covid-19 Economic Update](#)

Economics for non-economists 9.30am–12pm 15th–17th March 2021 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 useful for understanding the UK’s new trade arrangements outside the EU. To book: [Economics-for-non-economists](#)

Cost-benefit analysis for non-economists 9.30am–12pm 21st–23rd April 2021 Ideal for government analysts (outside economics) and policy and finance professionals who are involved in preparing and reviewing business cases and impact assessments. The course will give participants the skills to critique CBA analysis quickly and effectively. To book: [Cost-benefit-analysis](#)

Strategic Career Development for G7 Analysts 10am–1pm 19th and 26th March 2021 and 11th June 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-career-development](#)

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