

In this report, I will assess whether everyone benefited from the 2003 Budget. I will do this by collating results from primary and secondary research to reach a conclusion. To assess whether everyone benefited from last year's budget I will also use economic theories and past budget reports to assist in making my conclusion.

I will use primary and secondary research to help put together this report. I will complete questionnaires and conduct interviews. To gather secondary research I will use various textbooks, the internet and information received from companies.

When this information is collected, I will conclude and evaluate ways that the budget has affected different range of people and I will offer recommendations to help the government draft the 2004 Budget Report.

I think that the last year's budget will affect various people differently. I think that people who drink alcohol or wine will be worse off as price of alcohol had gone up by 1p, while a bottle of wine will cost an extra 4 pence. However, I feel that newly born families will benefit because of new baby bonds, which have been introduced which will guarantee money in the bank at the age of 18.

The 2003 budget was announced on 17th April 2003 by Mr Gordon Brown, Chancellor of the Exchequer.

The origins of the Budget go back to the Norman period. In those days two departments dealt with finance. Firstly, the Treasury received and paid out money on behalf of the monarch. Secondly, the Exchequer, which received public money, dealt with regulating the King's accounts.

The other key measures in the 2003 Budget were as follows -

- The starting rate of corporation tax was cut from 10 per cent to zero. This meant that smaller companies had a higher chance of survival.
- Simplify tax and improving access to finance enabling smaller companies to develop and grow.
- Substantial increase in working family's tax credit which increased by £2.50 a week. This meant more financial support for poorer families.
- A new child tax credit system will provide a secure stream of income for families with children.
- A new child trust fund giving every newborn child £250, ensuring that every child will have money in the bank at the age of 18.
- Pensioners received an extra £100, on top of winter fuel payments.

- The road fuel duties for cars was increased by £1.28 pence, and lower vehicle excise duty for the cleanest vehicles was reduced. This meant that car owners were worse off apart from cars with low fuel emissions.

- The main focus point of this year's budget was the substantial increase in funding for the National Health Service. This meant an increase of an extra £1bn expenditure for the National Health Service next year. This was financed from an increase of 1% in National Insurance Contributions.

- The other increases were taxes on beer by 1p, wine by 4p per bottle and cigarettes, which increased to 8p a packet. This will have a negative effect on people who drink and smoke.

- The amount of income tax paid by working citizens stayed the same in the 2003 budget. This will benefit the majority of citizens in the UK.

Research Section

Primary Research

Primary research, otherwise known as field research (GCSE Economics studies by Alain Anderton), involves the process of gathering information for a specific purpose through direct investigation. This could mean researching ways such as using questionnaires or conducting interviews. The information collected is new and information that has not yet been known. Primary research is collected especially for that particular piece of research. Field research is normally collected through direct investigation using surveys and experiments. An advantage of using primary research is that it is more reliable than secondary research. Another advantage is that the person writing the questionnaire or interview will have more control because they have direct control over the questions written. A disadvantage of primary research is that it costs more money if you hire someone to hand the questionnaires out and collect them. Another disadvantage is that if the company designs and distributes the questionnaires it could be time consuming and costly. In my report, I will be using primary research. This could be in the form of interviews, questionnaires and written letters to various companies.

Secondary Research

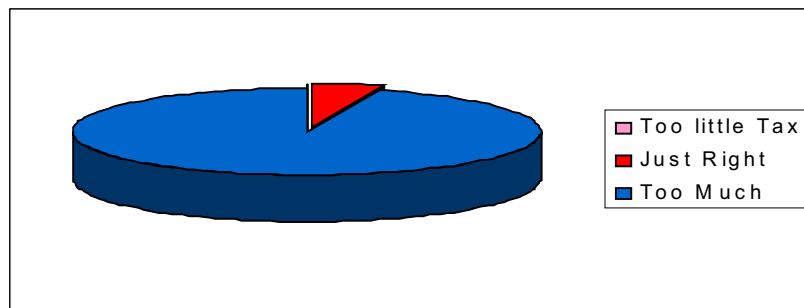
Secondary research, otherwise known as desk research (GCSE Economics studies by Alain Anderton), looks at data, which already exists, such as accounts, internet sources and textbooks. Desk research is information which is already available that has been collected from other sources. An advantage of using secondary research is it is less time consuming to print out a document on the internet than complete thousands of questionnaires. A further advantage is that it is easier because the company may not have the staff or the resources to design their own questionnaire. A disadvantage of using desk research is that sometimes this type of communication can be expensive if the company hires another company to collect the data. However, it can be cheap if the information is based on the internet. Another disadvantage of using secondary research is that the information, which is collected, may not be 100% accurate in the

way it is collected. I will use desk research in my report. This will be in the form of using information from websites and information from text reports.

I carried out the survey as primary research because I think it will give a large number of responses. I did the interview with the same questions but the answers given were more detailed. I also did the interview because it gave answers that were more detailed as the questions were open questions. The final piece of primary research was writing to several companies about their thoughts on the problem of how their staff and company benefited or lost out from the 2003 budget. I wrote this letter so that I could have more information and research on the budget.

Do you think you pay too much tax?

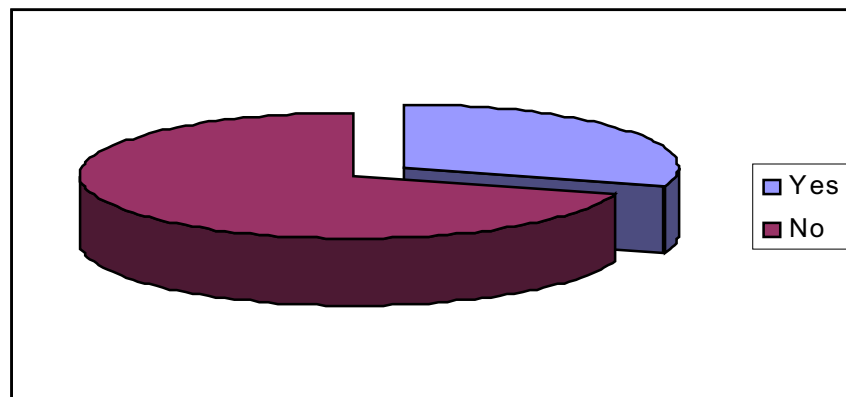
Too little Tax - 0 people
The right amount of Tax - 1 People
Too much Tax - 19 People



I included this question in the questionnaire because it shows what the public think about the amount of tax that they pay. To this question, most people answered that they felt they paid too much tax. However, only one person chose to differ saying that they pay the right amount of tax.

Do you think you benefited from the last Budget?

Yes - 6 People -30%
No - 14 People -70%



I included this question in the questionnaire because it shows if thought they benefited from last years budget. To this, question most people answered no this showed me that people think that the majority of people think that they have not benefited from last years budget. However, six people think that they have benefited from last years budget. This question shows me that most people think that they have not benefited from last years budget. On the other hand, some of these people may have benefited from the budget. This could be from hidden measures.

What is the Budget?

The budget is a statement of the financial position of the United Kingdom for the financial year, with proposals for spending and taxation, presented in a speech by the Chancellor of the Exchequer

This year's budget was set by Gordon Brown. The chancellor sets the budget using methods to raise money for the government to spend on the country. To achieve budgetary objectives, it may be necessary to set aside savings or to borrow from outside sources.

The main source of revenue for the budget is from income tax and indirect taxes such as corporation tax, value added tax and National Insurance contributions. The main categories of expenditure are social security payments, the provision of goods and services (such as education, health and transport)

The government may use the **fiscal policy** to pay for from everything to defence to education. To raise this money, the government raises taxes to generate extra income. However, increasing taxes could be bad for public morale if the government keeps increasing taxes.

The budget will have certain affects on the economy. If the government increases taxes, the **aggregate spending** of the country will fall because people will have less disposable income. However, if the government cut taxes in the budget it will mean that **aggregate spending** will increase. However, the increased spending could lead to increased inflation.

A general increase in government spending will generally mean more spending on the whole economy. It can produce this by booms and recessions by changing its fiscal policy.

The effect of changes in fiscal policy can differ. If the amount of taxes and spending increases by £100 million, it could mean that national income of the country is increased by £100 million. This means the government are employing the **multiplier effect**. However, sometimes the extra spending can stop private sector spending because extra public spending will have to be paid by increases in taxes. This policy is called **Crowding out**.

In this years budget the total managed expenditure was larger than the government revenues. This meant the government is said to have a **public sector borrowing requirement** (PSBR). This was shown in this year's budget because the government

spent £460 million but only regained taxes about £423 million. This meant the government had to borrow a deficit of £37 million.

However, occasionally during the period 1987 - 1990 the government spent less than they received from taxes. This means the government is said to have **public sector debt repayment** (PSDR).

When the level of aggregate demand is changed, there is more spending in the economy and the government has PSBR the changes will affect different government policies. As shown below -

- If there is high spending in the economy, this will mean that more jobs will be created. This will mean that **unemployment** will fall. This is overall good for the economy.

- The increased spending will also mean a higher rate of **economic growth**. This will have a positive effect on the economy as a whole.

- A further increase as a result of the high spending on the economy will be the increase in **inflation**. This is because the increased spending will make companies push up their prices.

However, if the government tightens the fiscal policy and starts to raise taxes less it could lead to the economy being put into recession. This could then lead to higher unemployment, lower economic growth and lower inflation.

Conclusions

Summary

In this report, I found out that the measures announced in the last year's Budget Report benefited some members of the public.

The members of public who smoke did not benefit from last year's budget because they shall pay an extra 8 pence per packet. This will mean if I consider my questionnaires I can see that the 6 people who do smoke will be worse off. If I consider that the packets of cigarettes cost £2.00, the two people who spend from £20 to £40 will be over 56 pence worse due this budget. Overall, this means that people whom smoke did not benefit from last years budget.

For the 8 pence, tax rise on cigarettes rich people may not be affected by the tax rise. However, poor people may then not purchase cigarettes because of its substantial increase in cost. This is because the tax is a **regressive tax**.

The members of public who drink alcohol will not have benefited from last years budget because they will pay an extra 1 penny for beer and an extra 4 pence for wines. This means that if I consider the views of the people I interviewed I can see that they will have to pay an extra 15 pence per week for the people 7 people who say they spend from £20 to £40. This is if they buy at least 15 bottles of beer per week for up to £2.50 each. Overall, this means that people whom drink did not benefit from last years budget.

The members of public who are pensioners benefited from this years budget. This was shown in my secondary research. My secondary research showed me that pensioners benefited because they received an extra £100 in winter fuel repayments. Pensioners would also have benefited from the increased spending of up to £1bn in the National health service as they will not be effected by the 1% rise in national insurance. Overall, this means that pensioners did benefit from last years budget.

The members of public who have newly born children will have benefited because they will receive a new child trust fund and the families will receive a new effective child tax credit as well as the working families' tax credit being increased by £2.50 a week. If I use my primary research this means that, the 15 people who replied yes to the budget will benefit from the budget because each will receive an extra £2.50 per week in working families' tax credit. These families will also benefit if they decide to have more children. Overall, I think the families with children have benefited from last years budget.

Recommendations

I have made a number of recommendations for the government and the Chancellor of the Exchequer. I have classified my recommendations in a star system. The more stars the better I consider the recommendation. This is to show which recommendation I think is the best suits the current government's position. The recommendations are as follows -

Raise Tobacco Taxes 5 Stars *****

My first recommendation would be to increase taxes on products that are considered to be 'inelastic'. An example of an inelastic product is cigarettes. I would suggest to the Chancellor of the Exchequer that he should increase the price more on cigarettes because people would continue to buy the product because it is very addictive. However, by increasing the price people could stop buying the product because it has become to expensive. In the short term this would reduce taxes earned by the government. However., in the long term, the reduced NHS costs would greatly benefit the public because these people would not have to go into hospital for treatment of lung cancer and other smoking related diseases from taxpayers money.

Cut funds to Iraq 4 Stars ****

My second recommendation would be to cut much of the funding to Iraq. In this years budget the government pledged £3 billion to the war in Iraq. I recommend that most of this money should be spent on domestic counter-terrorism measures. The rest of the revenue could be spent on education, NHS and transport. However, this may temporarily ruin relations with England's allies such as USA.

Borrow less money 3 Stars ***

My final recommendation would be for the government to borrow less money. The government would not have to borrow so much money because of the amount they spend would be reduced from cutting funds to Iraq and the rise in taxes for tobacco. This would leave the government with **public sector debt repayment**. This would help the government to invest the money or to save the money for future investment. However, if the money is left in a bank the money could lose its value.

Raise Income Tax 2 Stars **

My third recommendation would be to increase income tax. This would bring in lots of revenue because everyone who works would have to pay extra income tax. This money could then be put to good use. However, this tax rise could cause unrest as many people would object any rise in income tax. This is because it leaves the public with less disposable income.

Evaluation

My investigation into how the last year's budget affected the public may not have been very accurate. The actual budget measure may not have been very accurate. This is because the costs for each measure may affect each person differently. However, this may also be because the tax rise is an **indirect tax**.

To make my questionnaires more efficient I could have had **more time**, **bigger range of ages** and **results from different parts of the UK**.

In my questionnaires, I asked the question 'do they think they benefited from last years budget. To this question 70% answered in favour of NO. This means that they think that they did not benefit from last years budget. However, these people may have benefited from last years budget indirectly.

My questionnaires did not reflect the total opinion of the public. In my questionnaires, I could also have expanded my interview questions this would have given me a wider range and greater in-depth results.

Bibliography

For this report, I used various sources of information. I used the following to help me prepare this report.

Text Books

GCSE Economics – Written by Alain Anderton, Second Edition
GCSE Bitesize - Economics revision guide, written by David Smith

People

Shila Tailor - the person I interviewed helped me with this report.
Mr Cummisky- my Economics teacher
Mr Ali - this teacher helped me with this report
Mr Smith - this teacher also helped me with this report.

Organisations

I also used information from different organisations. These organisations included –

Bank of England
Budget Report 2003
The Economist magazine

Electronic

Electronic services also helped me with my report. This included the use of the internet. The websites used to get the information included: -

www.Inland Revenue/ Budget2003.co.uk
www.bbc.co.uk/Budget2003
www.Courseworkbank.co.uk

In this report, I also used e-mail and fax services to help with my project.

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