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The business and political changes that have occurred since September 2002 has had various degrees desirable and undesirable impacts on the many aspects of the economy, such as consumers, producers, MPs, environment, health and different industrial sectors. The changes are likely to have continuing effects into the next year and probably even longer

Interest rates and Exchange rates

The changes in the interest rates in some of the major world economies, for instance Japan and USA, have had staggering impacts. The US economy has been seriously underachieving in terms of output and employment, which is why it has such a large balance of trade deficit. The Federal Reserve has therefore lowered its interest rate to help stimulate investment, trade and employment. However this tactic has not proven to help because of the general sluggish economic situation the world is in. The low exchange rate is supposed to increase the amount of foreign export but the exchange rate of Japan (main importers of US products) has also been falling. The lack of confidence in the Japanese governments economic decisions and falling interest rates has been a key reason for this.

According to the theory of the International Fisher effect, falling interest rates will eventually lead to increases in exchange rates in the future. Therefore we can expect them to rise.

The main effect of this is that the rest of the global economy will suffer, as the two major economies aren’t performing. Also, lower interest rates and exchange rates increase the amount of imports a country can do and hence this will lower the level of GDP. This impact is likely to take place after a year. Japan has especially been a victim of such a change.

The killer SARS virus

More recently, the SARS virus has had both a political and business related impact. With the number of those infected and dieing increasing to worrying levels (although recently it has considerably fallen), the severity of the impacts also increased. The amount of flights entering and leaving Hong Kong was cut drastically. This meant that important international business transactions were brought to halt. As a result the suppliers revenues were delayed and consumers demands were not met, however this was important to avoid the spread of the disease. It also hit consumer confidence, which is why the amount of spending on retail goods fell. The political impact is more on a long term basis for example the funds Hong Kong government may have gathered to promise the public better transport system may have to be used in the medical sector.

Other political objectives may not be accomplished in time for the next election due to the sudden diversion of funds. This will make them politically unfavourable. A short-term impact is that although the public will be given the go ahead to travel again, they may still not just to be cautious. This will prolong the recovery process. However, by experiencing such a disease, the country would have learnt how to avoid such a disaster so that it may not occur again in the next year.

In general, the recovery process would be slow because it takes time for people to recover the disease, find long term cure for the disease and to reduce the spread of the disease. It would certainly take longer than one year to have the problem dead and buried, therefore this is a long-term issue. However the severity of the case will reduce as time goes by.

War against terrorism

The war against terrorism has been a case dragged on since September 11th 2001 by mainly the UK and the USA. However, since September 2002 the emphasis has been on the disarming of Saddam Hussein from weapons of mass destruction, another aspect of the war against terrorism. The significance of such a war has lead to a lot of controversy, but the main idea was that it must be stopped for world peace. From a political point of view, the governments of the US and UK are having to pour a lot of their funds into planning and carrying out the campaign. This lead to them reducing their attention domestic issues, as a result, the opposing political parties used this as an argument that they current government is not good. Also, failure to accomplish their targets (i. e. Bin Laden is not found yet) further depopularises their reign as leaders. More focus on the prime ministers act against terrorism affects the well being of the public, i. e. the level of street crime in Britain has increases over the past year.

From a business perspective, there were fewer flights because people were in fear of a highjacking. Also, prices would be reduced (so would profit) to attract people to fly and so the growth of airlines would decline. This is evident from American Airline’s underperformance. Not only have they been making losses since the September 11th attack, they have also been on the verge of being taken over by other airlines. The falling share prices had put the chairman’s job on the edge. Such decline in the travelling industry will have a negative multiplier affect on tourism and international business. The speculated fall in employment in airlines and tourist industry was evident a year after the attack and is still anticipated to be sustained for he next year. Oil price had risen during the war against Iraq because the remainder of the oil producing countries raised their prices. It can be reasonable to predict that oil prices should continue to rise because the supply will continue to fall. This will raise the cost of production for businesses and contribute to causing cost-push inflation. However, this effect will also last longer than a year.

The recent slowdown of the economy is not a long-term problem. Since the end of the war against Iraq, the FTSE and DJIA have been rising and at the moment it is at a six-month record high (FTSE is at 4061).

Congestion charge

The United Kingdom is the first European country to ever introduce a congestion charge. There are strongly argued reasons for and against the poll, which involve political and business related explanations. It was ultimately introduced to reduce the number of vehicles entering the city in order to lower the amount of pollution being created. One week after the congestion charge was introduced the number of cars entering fell by 21% which was why Tony Blair was satisfied, but then Ian Duncan Smith pointed out that that was because there was half term holidays in schools.

As a result, the Labour party have become politically unfavourable because this congestion charge was accompanied by a rise in National Insurance and other taxes. They have also been blamed for using the funds raised on military equipment and not on what they have promised. However environmentalists are pleased to see that progressive action has been taken reduce pollution.

In the near future, the money raised is likely to be diverged into other sectors such as education, healthcare and transport for the London Underground. The system may also be scraped if the public are seriously against it, but this is unlikely as it will show that the Labour party regret their decisions. It would take quite some time to see a considerable reduction in the number of cars entering the city because it is a lengthy process for people to change from using cars to using public transport. Plenty of gaps in the system have already been found, for example there have been a number of cases when crooks have used forged number plates to enter the city and then not pay the fee. This means that the number plates that the camera spots in fact belong to a completely different driver who is then wrongfully accused for dodging to pay the fee. For a year of two, these frailties in the system will be spotted but then hopefully they would be corrected.

Extended death sentences

The decision to extend death sentences was proven to be favourable by he British public according to the informal poll carried out by the BBC website. This is because of the obvious reason that the public want to keep murderers locked up in prison longer and to also make murderers think twice before they actually kill someone. However, those who argued against this said that it would not give the murderers enough time to be better citizens when they are released.

The affect this would have for the next year is that the amount of planned murders to fall but the amount of unintentional murders (i. e. when a drunk person murders someone) to fall at a slower rate.

In conclusion, we can say that the business and political changes that have occurred will undoubtedly have affects that will stem into the long and short-term future. The intentional results will also be accompanied by adverse side effects that will have to be endured.