

**SPECIAL REPORT** by Ian Eddy



Chancellor Rishi Sunak is the man in charge of the country's money

Before we start, it's probably helpful to know what interest rates are. An interest rate is a percentage of the amount you borrow (or save). For example, if you borrow £10 and you're charged 10% interest (which equals £1), you will pay back £11 – the £10 you borrowed plus £1 interest. It's like hiring a bike or a pedalo when you're on holiday – interest is what you pay to 'hire' someone else's money.

If you're saving money by putting it into a bank, it's similar, except the interest is paid to you – because banks are paying to 'hire' your money.

**SO WHERE IS ALL THIS MONEY COMING FROM?**

"Most of it will be borrowed. The Government will borrow it from members of the public, pay interest on it, and eventually repay it, probably decades later. The great thing is that the interest rate is now so low that the amount that will have to be paid to service [pay back] that debt is really very small. Rates have never been so low in the last 200 years. The other point is that the servicing of the debt is a transfer from taxpayers to other members of the community. The people who buy the Government debt are providing the money today to the community, and later on the community is paying back those people. The other thing to say is that a great chunk is going to be borrowed from the Bank of England [BoE], which is actually a part of the Government, so the money is being borrowed from itself."



Even if your parents/guardians aren't at work, many will have become your temporary teachers instead

**PAYING FOR A PANDEMIC**

**DURING this lockdown, many of your parents are being paid by the Government until they can go back to work. The Government's own estimates say that this could cost £84 billion this year, so where does all that cash come from and how can the UK afford it? If you don't understand it, don't worry, because here's a secret for you: most adults haven't got a clue either. So, to help you (and us) understand how we're paying for millions of workers to not do any work, we spoke to Professor Richard Layard, the director of the Wellbeing Programme in the Centre for Economic Performance at the London School of Economics. Is he right that we could all end up happier when this is over?**

**WHY WOULD YOU BUY GOVERNMENT DEBT? AND WHO BUYS IT?**

"Because it's a secure investment. It's people like pension fund managers, some rich people, and a very small fraction are foreigners."

**WHY CAN'T THE GOVERNMENT JUST PRINT MORE MONEY?**

"Borrowing from the BoE essentially is the Government creating money, but it means that the BoE is paying a small amount of interest on that. That's because the BoE gives money to the Government, which then spends it; people get the money, they put it into their bank account, and their bank eventually re-deposits it back to the BoE, which has to pay interest."

**WHEN WILL ALL OF THIS HAVE TO BE PAID BACK?**

"Over a very long period of time. After the Second World War, which was largely paid for by borrowing money, the Government debt equalled 2.5 times the nation's annual income. Now, there are two ways that ratio can come down, but the most important one is that the national income goes up. So if the debt doesn't go up that much, but the national income does keep going up, then that ratio comes down and down. So the ratio fell from about 250% after WW2 to something like 30% in 2008, and that will happen again."

**WILL THE GOVERNMENT HAVE TO INCREASE TAXES TO HELP PAY FOR ALL THIS DEBT?**

"Yes, I do think it's a good idea. I spend most of my time studying human behaviour, and with the kind of public services that we have at the moment, which are so stretched, it's quite clear that human wellbeing would be improved if we were spending more on those services, even though this



would mean that households have less money to spend on themselves."

**SCANDINAVIA GENERALLY HAS HIGH TAXES, BUT GOOD PUBLIC SERVICES AND HIGH LEVELS OF HAPPINESS, SO WHY IS THERE RESISTANCE IN THE UK TO HIGHER TAXES?**

"I think that there's a huge cultural and educational failure. In Britain, we think of taxes as a form of robbery. In Scandinavia they think of taxes as paying for things that they're getting back, such as education, health, safe streets and good roads. I would say it's an important role of the education system to get that idea across, that we're paying taxes largely for our own personal benefit. And to some extent, of course, we're paying taxes to support the weakest members of the community."

**FOR THE WORLD TO RECOVER, LOTS OF EXPERTS THINK WE NEED TO MAKE ECONOMIES FAIRER AND MORE ENVIRONMENTALLY-FRIENDLY. DO YOU THINK THAT WILL HAPPEN?**

"I hope it will. I think there has been a change going on in the community. People have understood that the Government actually is crucial for a good life, and public services really are important. I hope that there'll be some bigger change to our culture generally, because I think people have become very concerned about how they're doing compared with other people. Of course, if that's what you care about, for every winner there's a loser. Competition as the basis for individual motivation produces a lot of stress. You can't have a happier society if that's what people's motivation is. You can have a happier society if people's motivation is much more about how they can contribute to the lives of other people. That's good for the other people, but it's also good for those who contribute, because it's very satisfying. The countries of the Far East have handled this pandemic far better than Europe and North America, which I think has been easier for them to do because they do have more of a sense of community and a duty to the community."



Will the UK's sense of community carry on when the pandemic is over?

**GLOSSARY**

**pension fund managers** — The people responsible for all aspects of administering pension schemes and developing new pension policies. A pension fund is a scheme that provides retirement income.

Pension fund managers are responsible for investing money for their clients  
**secure investment** — A low-risk investment with a guaranteed interest payment

## Questions on – Special Report: ‘Paying for a pandemic’

### Part A: Find and explain the facts

A1. Who was interviewed for this article?

A2. Identify whether the following statements are true or false. If false, provide the correction.



Statement	True or false?	Correction (if applicable)
During this lockdown, the Government is paying millions of workers if they can't work due to the pandemic.		
The Government estimates that this could cost £83 billion this year.		
People like pension fund managers will buy the Government debt because it's considered to be a secure investment.		
The Government will have to pay interest on the money it borrows.		
Interest rates have never been so high in the last 200 years.		

A3. What is an interest rate?

A4. Put the statements into the correct order by numbering them 1-5 to provide an explanation of how the Government is going to pay for the pandemic.

The great thing is that the interest rate is now so low that the amount that will have to be paid to service (pay back) the debt is really very small.	
The people who buy the Government debt are providing the money today to the community, and later on the community is paying back those people.	
The Government will borrow [money] from members of the public, pay interest on it and eventually repay it, probably decades later.	
The other thing to say is that a great chunk is going to be borrowed from the Bank of England (BOE).	
The servicing of the debt is a transfer from taxpayers to other members of the community.	

A5. Who is Rishi Sunak?

### Part B: Deduce and infer information

B1. How is the Government borrowing a great chunk of money from itself?

B2. Why is the Second World War mentioned in this report?

B3. How might human wellbeing be improved by an increase in taxes, even though it would mean that households have less money to spend on themselves?

B4. According to this report, what can Britain learn from Scandinavia?

B5. Explain the opinion that the countries of the Far East have handled this pandemic better than Europe and North America.

### Part C

C1. This report contains lots of complicated information. How is it made less intimidating for First News readers?

C2. Comment on the purpose of each of the captions in this report.

Caption	Purpose
Chancellor Rishi Sunak is the man in charge of the country's money	
Even if your parents/guardians aren't at work, many will have become your temporary teachers instead	
Will the UK's sense of community carry on when the pandemic is over?	

### Part D: Discussion task

"It is a good idea for the Government to increase taxes to help pay for all the debt brought about by the pandemic." Do you agree or disagree with this statement? Give reasons for your view.

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The Government will borrow [money] from members of the public, pay interest on it and eventually repay it, probably decades later.	
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## Teacher Answers

**AIM OF THE NEWS COMPREHENSIONS:** News reports are unique non-fiction texts. Being real, they naturally engage students, and with the range of topics that are covered, help to develop pupils' knowledge and understanding of the wider world outside the classroom. The reports are ideal for short, focused comprehension or discussion activities. Along with the opportunity to find fascinating facts and appreciate the opinions of those involved, there is plenty to be inferred and deduced to understand in more depth what is being reported. Like authors, journalists play with language, so news 'stories' are rich nuggets of text to investigate and provide the opportunity for literacy programmes.

**TEACHER ANSWER GUIDE:** The teacher answers are intended to provide a guide to the reading skill each question is practising. Suggestions are given for a starting point for responses that students would be expected to give at the start of KS3. Further suggestions then give fuller, more developed responses that students will work towards by the end of KS3, in preparation for the non-fiction elements of GCSE English language.

### PART A

#### A1. Who was interviewed for this article?

READING SKILL — Find and explain information

**Possible answer**

**Starting point**

- Professor Richard Layard.

**Development**

- He is the director of the Wellbeing Programme in the Centre for Economic Performance at the London School of Economics.

#### A2. Identify whether the following statements are true or false. If false, provide the correction.

READING SKILL — Find and explain information

**Possible answer**

**Starting point** — *some correct answers provided*

**Development** — *correct answers provided and clearly explained*

Statement	True or false?	Correction (if applicable)
During this lockdown, the Government is paying millions of workers if they can't work due to the pandemic.	True	
The Government estimates that this could cost £83 billion this year.	False	The Government estimates it could cost £84 billion.
People like pension fund managers will buy the Government debt because it's considered to be a secure investment.	True	
The Government will have to pay interest on the money it borrows.	True	
Interest rates have never been so high in the last 200 years.	False	Rates have never been so low in the last 200 years.

#### A3. What is an interest rate?

READING SKILL — Find and explain information

**Possible answer**

**Starting point**

- An interest rate is a percentage of the amount you borrow (or save).

**Development**

- For example, if you borrow £10 and you're charged 10% interest (which equals £1), you will pay back £11 – the £10 you borrowed plus £1 interest.



**A4. Put the statements into the correct order by numbering them 1-5 to provide an explanation of how the Government is going to pay for the pandemic.**

READING SKILL — Find and explain information

**Possible answer**

**Expected response**

The great thing is that the interest rate is now so low that the amount that will have to be paid to service (pay back) the debt is really very small.	2
The people who buy the Government debt are providing the money today to the community, and later on the community is paying back those people.	4
The Government will borrow [money] from members of the public, pay interest on it and eventually repay it, probably decades later.	1
The other thing to say is that a great chunk is going to be borrowed from the Bank of England (BOE).	5
The servicing of the debt is a transfer from taxpayers to other members of the community.	3

**A5. Who is Rishi Sunak?**

READING SKILL — Find and explain information

**Possible answer**

**Starting point**

- He is the Chancellor.

**Development**

- This means that he is the man in charge of the country's money.

## PART B

**B1. How is the Government borrowing a great chunk of money from itself?**

READING SKILL — Infer information and justify with evidence from the text

**Possible answer**

**Starting point**

- It is borrowing from the Bank of England (BoE), which is actually a part of the Government, so this is how the money is being borrowed from itself.

**Development**

- Borrowing from the Bank of England is essentially the Government creating money. However, the Bank of England eventually has to pay a small amount of interest on that money. This is because when the BoE gives money to the Government and it is spent on people who need it, those people put it into their bank account. Their bank eventually re-deposits it back to the BoE, which has to pay interest.

**B2. Why is the Second World War mentioned in this report?**

READING SKILL — Infer information and justify with evidence from the text

**Possible answer**

**Starting point**

- The Second World War is mentioned because it is an example of another time when the Government had to borrow money and it shows that a large debt is not insurmountable.

**Development**

- After the Second World War, the Government debt equalled 2.5 times the nation's annual income. However, because the national debt didn't go up much but the national income did keep going up, the ratio fell from about 250% just after the war to around 30% in 2008. This is encouraging because it suggests that the same will happen again.

**B3. How might human wellbeing be improved by an increase in taxes, even though it would mean that households have less money to spend on themselves?**

READING SKILL — Infer information and justify with evidence from the text

**Possible answer**

**Starting point**

- Human wellbeing could be improved by an increase in taxes because it would mean that there would be better public services.

**Development**

- Taxes pay for public services such as the NHS, education, housing and amenities and welfare. These services are important and if they aren't funded properly then it can have a very detrimental effect on people's wellbeing. For example,



if there isn't enough funding then people can't get to see a doctor or have an operation quickly enough, schools don't have the necessary equipment for their students to learn, bins can't be collected frequently and people with disabilities or other needs are unable to get the benefits that they need. Therefore, although higher taxes will mean that people have less disposable income for luxuries of their choice, vital services will be improved for everyone. This will result in improved wellbeing.

**B4. According to this report, what can Britain learn from Scandinavia?**

READING SKILL — Infer information and justify with evidence from the text

**Possible answer**

**Starting point**

- According to this report, Britain needs to start embracing the tax system like they do in Scandinavia.

**Development**

- In Britain, people tend to be resistant to taxes and to consider them as a form of robbery. However, in Scandinavia, they acknowledge that they are paying taxes largely for their own personal benefit so that they can have good public services. As a result of this viewpoint, there are high levels of happiness in Scandinavia. Therefore, people in Britain need to learn to view taxation more positively. People in Britain also need to have more community spirit so that they feel satisfaction from knowing that by paying their taxes they are also helping the weakest members of the community.

**B5. Explain the opinion that the countries of the Far East have handled this pandemic better than Europe and North America.**

READING SKILL — Infer information and justify with evidence from the text

**Possible answer**

**Starting point**

- Professor Layard says that the countries of the Far East have handled this pandemic better than Europe and North America because they have more of a sense of community and a duty to the community.

**Development**

- In the countries of the Far East, there tends to be more of a sense of collective responsibility. This means that they were in a good position to address the pandemic as communities from the start. The notion of necessary measures for the good of all was also more familiar to people in the Far East. This is partly because of previous outbreaks of diseases such as SARS in some countries there.

**PART C**

**C1. This report contains lots of complicated information. How is it made less intimidating for First News readers?**

READING SKILL — Explain methods used by the writer with appropriate use of terminology

**Possible answer**

**Starting point**

- The information is made less intimidating by the use of brackets to explain some of the monetary values and terms used. For example, the reader is told that 10% of £10 is £1 and that “service” means “pay back” in the context in which it is used.

**Development**

- Furthermore, the lead paragraph is written in a very friendly and reassuring tone. Readers are told the “secret” that “most adults haven't got a clue...” about how the pandemic is being paid for either. This makes the report seem less intimidating because it shows that First News' young readers are not expected to have much prior knowledge.

**C2. Comment on the purpose of each of the captions in this report.**

READING SKILL — Identify benefits of text organisation and presentation

**Possible answer**

**Starting point** — simple comment on the use of captions

**Development** — clear understanding of the purpose of the captions and how they are used to support the report

Caption	Purpose
<b>Chancellor Rishi Sunak is the man in charge of the country's money</b>	This caption is informative. The report is about how the Government is financing the pandemic, so it is relevant to know that Rishi Sunak is the Chancellor.
<b>Even if your parents/guardians aren't at work, many will have become your temporary teachers instead</b>	This caption provides context. Many parents may be unable to do their normal jobs but they aren't just being lazy. They are unable to go to work but are taking on other responsibilities during the pandemic instead.
<b>Will the UK's sense of community carry on when the pandemic is over?</b>	This use of a rhetorical question is to involve readers. It is a relevant thinking point because of Professor Layard's opinion that people need to be less motivated by competition and more motivated by the satisfaction of being able to contribute to the lives of others.

**PART D – DISCUSSION TASK**

**“It is a good idea for the Government to increase taxes to help pay for all the debt brought about by the pandemic.”**

**Do you agree or disagree with this statement? Give reasons for your view.**

READING SKILL — Develop opinions and provide justifications for view points

**Possible answer**

AGREE	DISAGREE
<ul style="list-style-type: none"> <li>• This pandemic has shown the importance of public services, so people should not resent having to pay for them and for the costs associated with the pandemic. It is a good time to raise taxes because at the moment people have been made more aware of how vital good public services are.</li> <li>• Taxes should definitely be raised for high earners because they can afford to contribute more.</li> </ul>	<ul style="list-style-type: none"> <li>• It depends how it is done. Some reports suggest that the poorest people in our communities have been hardest hit by this pandemic so we should protect our low wage earners and not subject them to tax increases.</li> <li>• If you raise taxes then people will have less disposable income and they won't be able to spend on things like clothes, meals and holidays. Therefore, the economy will take longer to recover.</li> <li>• Many people have suffered both economically and personally. It would not be a good time to raise taxes any time soon. Public morale is already low.</li> </ul>