



BANK OF ENGLAND

News release

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Target Two Point Zero - It's The Economy, Students!

The economy gets headlines all the time, whether about interest rates, mortgages, inflation, jobs, or the many other issues relevant to it. Across the United Kingdom later this month nearly one thousand school and college students will demonstrate why it receives this attention. Economics - the so-called 'dismal' science - will come alive when teams compete in the initial round of the fifth annual Bank of England/Times Interest Rate Challenge. Their challenge is to decide what the UK's official interest rate should be to keep inflation low and stable.

As Bank of England Governor, Mervyn King, said, "For the students, the Challenge helps add relevance and immediacy to their economics and business studies class-work. For the Bank it is a perfect opportunity for widening understanding of the purpose of the Government's 2.0% inflation target, the advantages of the low and stable inflation the target represents, and how the Bank's Monetary Policy Committee sets interest rates to achieve it. The impressive increase in entries every year confirms too its reputation for being both enjoyable and practical."

And the Challenge itself? Like the Committee each month, the students - in a team of four from each of the competing schools and colleges - consider and assess the wide range of current economic data and other issues, both in the UK and internationally, which will affect the country's economic and inflation outlook. Each of the 250 or so teams in this year's Challenge, has to weigh up all the factors to decide what interest rate they would set to achieve the inflation target. They must justify their decision in a brief presentation to a panel of Bank of England judges who then question them on their reasoning and decision.

After the 42 regional heats, which run from 22 November to 3 December, there's little let-up for the winning teams. They must update their presentations to take account of economic developments before taking part in one of the six area finals held around the UK in February 2005.

Then the climax! For the six teams which win through, the final round is held at the Bank of England's London headquarters, with the Challenge Trophy and a cheque for £10,000 awaiting the winning team's school, the runners-up receiving £5,000 and the third-placed team £2,000. Given the enormous effort all the teams have put in the three remaining teams are also recognised with each being awarded £1,000.

Note to Editors

Further information about the Challenge and a list of participating schools is available on the Bank's Target Two Point Zero pages.