



**BANK OF ENGLAND**

# News release

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## **Target Two Point Zero - Bank of England and the Times Interest Rate Challenge - 2009/2010**

The economy and the decisions taken by the Bank of England's Monetary Policy Committee seem to have rarely been out of the media in the past year. Action taken by the MPC saw Bank Rate reduced to an historic low, followed by the introduction of 'unconventional' monetary policy measures through the Asset Purchase Facility and quantitative easing. This November, over a thousand school and college students will take the opportunity to show just why the economy receives the attention it does as the regional heats of the tenth annual Bank of England and The Times Interest Rate Challenge commence. This is the challenge for students to decide what the UK's official interest rate should be and what, if any, other monetary policy measures should be undertaken to keep inflation on target.

Bank of England Governor, Mervyn King, said "This is the tenth year of the Interest Rate Challenge and whilst the economic backdrop is significantly different from that of recent years, the competition continues to offer students an exciting dimension to their course work. For the Bank, the Challenge is the ideal opportunity to highlight the advantages of low and stable inflation and increase the understanding of how the Monetary Policy Committee decides on the appropriate interest rate to meet the inflation target and the factors which influence its decisions. The need to employ asset purchases over the past ten months to ensure the inflation target is met in the medium term also introduces new concepts for teams to consider in their interest rate deliberations. Target Two Point Zero remains an excellent test of students' understanding of economics, as well as an opportunity for them to develop presentational, team work and public speaking skills. Participants also tell us that it is great fun!"

What about the Challenge itself? Like the Monetary Policy Committee each month, the teams of four students from each competing school and college consider the available domestic and international economic data, and associated issues, that affect the UK's economic and inflation outlook. Each of the 300 or so teams in the Challenge this year then weigh up the arguments and determine what interest rate their team would set to achieve the inflation target and what other measures they may propose to achieve this. Their decision has to be justified in a short presentation to the panel of Bank of England judges, who then question the team on their Bank Rate decision and the reasoning behind it.

The 43 regional heats, which run from 16-27 November, are followed by six area finals held around the UK in February 2010 for the heat-winning teams. This means the teams need to update their presentations to take account of economic developments before these area finals.

The climax for the six teams that win through the area finals is the National Final that will be held on Friday 19 March 2010 at the Bank of England in the City of London for the Challenge Trophy. In addition, a cheque for £10,000 awaits the winning team's school or college. The runners-up receive £5,000 and the third placed team, £2,000; in recognition of the enormous effort that all the finalists have put in, the three remaining teams are each awarded £1,000.