Monetary policy in practice:

This is a retrospective on the last 15 years of monetary policy and follows on from the transmission exercise (which showed monetary policy in theory). In this case, students need to explain why interest rate decisions were taken and what the impact would be. In each case they need to explain:

(1) What the BoE feared

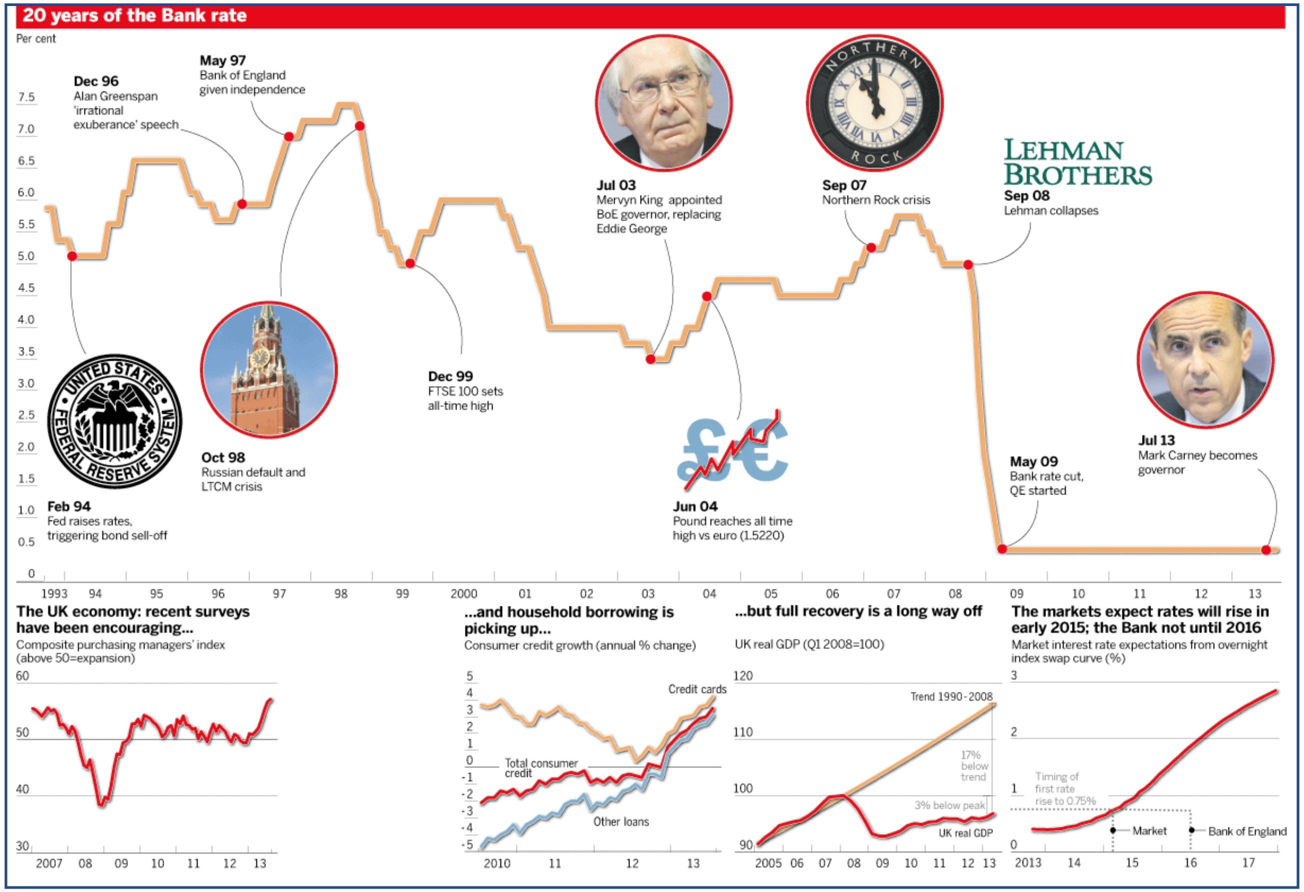
(2) How the policy change was supposed to help.

In the last case, they need to think about whether a rise in rates would have been justified at that time. Obviously rates didn't rise, but it should help to reinforce some of the factors that the MPC needs to take into account when setting rates.

If students are interested in hearing more about QE, there is a BoE video (if you don't want to get into this at this stage, just delete the QE reference):

https://www.youtube.com/watch?v=J9wRq6C2fgo

20 years of the Bank rate



Source: Cips/Market: Bank of England; Barclays; Thomson Reuters Datastream.

Can you use the data to explain:

Oct 1998: Why the BoE cut rates in 1998 (Financial crisis in Asia and Russia)

Dec 1999: Why the FTSE 100 (share prices) hit an all-time high

June 2004; Why the £ (ex rate) is very high

Sept 2008: BoE cuts rates sharply

May 2009: QE starts

Since 2013, base rates have remained at 0.5%. Knowing what you do about the UK's current economic situation, do you think that rates should now rise? Bullet the key points ….