

## **If students don't get zero rates, how will the public?**

Letter to [The Financial Times](#)

From Professor Costas Milas, Management School, University of Liverpool, Liverpool, UK

Your report "Numeracy skills: what's not adding up in the UK?" (Personal Finance, FT Weekend, October 31) makes the obvious point that confusion in the economy and society "would no doubt increase if interest rates were to turn negative". This brings to mind Greek philosopher and mathematician Pythagoras of Samos who famously said that "number rules the universe".

This number can hardly be a negative one when it comes to banks and their use of interest rates for lending purposes, let alone interest rates used to reward customers who trust banks with their deposits. The same, and more so, applies to students on my economics and finance courses that can find the concept of negative interest rates particularly tricky.

From my experience, students handle fairly well positive interest rates within a standard mathematical formula to value government or corporate bonds. With negative interest rates, however, a significant number use same bond formula incorrectly.

So if students, with a good knowledge of economics, cannot always grasp the functioning of negative interest rates how on earth can we be confident that these negative numbers will be understood by the public and therefore find their way in reviving the coronavirus-battered UK economy?