**The Rule of 72**

In Business and Economics ‘**the Rule of 72**’ is a rule of thumb i.e., a broadly accurate way, of finding how long it will take for an investment to double, given its annual interest rate, or a country to double its standard of living, given its average annual economic growth rate.

If we divide the interest or growth rate into 72, we can work out approximately how long it will take for an investment to double or for a country to double its standard of living.

The UK had annual economic growth of 0.4% in June 2023. If it was to continue with this rate of economic growth on an annual basis, it would take 72/0.4 = 180 years to double its standard of living.

Look at this webpage from [Trading Economics](https://tradingeconomics.com/country-list/gdp-annual-growth-rate). Choose 10 countries with significantly different annual economic growth rates. How long will it take each country to double its GDP?

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| **Country** | **Annual growth rate** | **Time to double GDP** |
| UK |  |  |
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How does the UK compare?

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Why do G7 countries grow at a slower rate than some developing countries?

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Explain why doubling GDP is not the same as doubling living standards?

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Why might the use of GDP per capita be a better way of assessing how well a country has done?

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We can also do this for [interest rates](https://tradingeconomics.com/country-list/interest-rate), although these are mainly linked to each country’s base rate, which directly affects the interest rates that banks charge. A 0.25% increase in the Bank of England’s Base Rate is likely to see both mortgage rates, and savers rates, increase.

Look at [Money Saving Expert](https://www.moneysavingexpert.com/savings/savings-accounts-best-interest/) to see what deals you can get. If you could invest £10 000, how long would it take for you to double your investment using the Rule of 72?

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