

Economic

Literature, Russian Literature



Sur Lecturer Inflation on house prices Inflation is the overall and general upward movement of prices of goods and services in the economy. It is measured by the Producer Price Index and Consumer Price Index, and is often caused by an increase in money supply. Over a long period of time as the cost of good and services increase, the dollar value falls as people will not be able to purchase similar items with the same dollar amount as previously. Although the annual inflation rate has greatly fluctuated over the last half century, from zero inflation to about 23% inflation, the Fed tries actively to maintain a specific inflation rate, usually 2 to 3 percent but varies depending on the prevailing circumstances. In this paper, we will look at the inflation of house prices in the United Kingdom and the variations in price from 2006 to 2012 as documented at http://www.economicsonline.co.uk/Competitive_markets/House_prices.html).

According to the above mentioned website, inflation is the overall rise in price levels of goods in the economy over a period of time. The inflation of house prices has consequently reflected erosion in the money purchasing power. The website indicates that housing prices exhibit features such as rising price average in the long run, medium term volatility, dramatic price crashes and bubbles, and considerable price variations in different UK regions. The prices of houses has inflated from 2006 to 2012, for example, the house prices were as follows; 185. 1K, 205. 3K, 218K, 195K, 207. 5K, 216. 1K, 229. 1K in 2006, 2007, 2008, 2009, 2010, 2011 and 2012 respectively. The house prices crushed in the earlier years and recently between 2007 and 2009. The website has also detailed some of the reasons for this inflation as high demands and low supply of houses ([http://www.](http://www.https://assignbuster.com/economic-essay-samples/)

[economicsonline.co.uk/Competitive_markets/House_prices.html](http://www.economicsonline.co.uk/Competitive_markets/House_prices.html))

According to the website, the crushing prices can be solved through increasing the supply and regulating demands which are the major causes of the inflationary prices. In order to increase the supply, the following are adopted: subsidies to private house constructors, public house building, relax house regulations, and tax and grant concessions. Demand on the other hand may be regulated through; altering deposit requirements, altering interest rates, and encouraging variations in mortgage rates.

Works Cited

http://www.economicsonline.co.uk/Competitive_markets/House_prices.html