



Spatial Economics Research Centre

Wednesday, 13 October 2010

House prices

Interesting to see Grant Shapps [talking about house prices yesterday](#). He suggests we need a period of stability.

Personally, I would go further than this: given house price to income multipliers, stable won't do it - we need falling real house prices. I can well understand that no government minister will ever call for this!

It's more interesting to see how they think they will achieve it: "Mr Shapps admitted the Government could not 'dictate' house prices, but said it would help stabilise the housing market by using economic policy to 'keep interest rates low'. [...] Mr Shapps also vowed to look at building regulations to make it easier to build new homes."

The second of these is key. Keeping interest rates low increases demand and prices rather than lowering them.

Posted by [Prof Henry G. Overman](#) on [Wednesday, October 13, 2010](#)



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