

# NEWSTATESMAN

ECONOMY

## Stamp Duty holiday – what's the point?

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### About the writer

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### What's the point of the chancellor's initiatives? To show they're doing something but they're being about as useful as a chocolate teapot, writes Jonathan Davis

So, first time buyers (FTBs) save say £1,500 on a £150,000 property. How on earth is that going to help them when said property – which has already fallen from c £175,000 – is likely to fall to £120,000 over the next two or three years? This question is based on Armstrong Davis' long-held (and publicly stated many times) view that house prices would fall c 35% from the peak last autumn. The trough will be around 2011 in our base case scenario.

We hear one of the consequences of the holiday (Never forget The Law of Unintended Consequences!) is that estate agents are telling those trying to sell (without success) up to the £200,000 level that they will have to reduce to £174,950 as 'no-one will buy just above £175,000 mark'. Not that much buying is going on in any case! Thus, sellers have to reduce by more than 10 per cent.

Brown and Darling are desperately trying to show they're 'doing something' to help FTBs and the housing market. Perfectly laudable. Except they shouldn't have started from here. Brown should have turned off the easy lending taps a few years ago and we wouldn't have had the biggest bubble in history in house prices (or of any asset class for that matter).

Also, they're going to lend low cost money to people. Again, all this does is suck people in to a falling market. How can that possibly help?

So, the housing market is extremely important to the economy. So, why not sort it out once and for all? Instead of this incessant rise and fall every 15-20 years. Let it come back to economic fundamentals then sort out the long term issues – such as (as practically no-one talks about) how people make vast tax free fortunes yet do not pay for the public services around their assets in line with the rise in their wealth. Why not let prices come back to reality then those FTBs they purport to want to help will be able to buy at reasonable prices? Seems simple to me. Why let the process rip then print more money? When all they had to do was stop printing money, prices would stabilise and we wouldn't have such economic divergence between haves and have-nots in society. Contrary to certain thinking, there still is a society. Unfortunately, most of it is up to its neck – privately and governmentally, in a sea of debt.

What's the point of the initiatives? To show they're doing something. About as useful as a chocolate teapot – when you consider the \$Trn losses incurred by banks globally, which is the reason for the credit crunch and why this has 2,3 or 4 years further to play itself out.

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