

Times letters: Stamp duty cut and limitless bankers' bonuses (22 September 2022)

Sir,

A possible cut in the stamp duty is a powerful tool towards stimulating the economy ("[Truss to cut stamp duty in push for prosperity](#)", Sep 21). Too powerful in fact. Empirical evidence suggests that a 10 per cent cut in the stamp duty leads to a 2.5 per cent increase in house prices. Historical UK evidence suggests that higher house prices lift UK GDP growth, which is what Liz Truss's policy wants to achieve. Nevertheless, the stamp duty cut risks creating a house price bubble that, sooner or later, will burst, thereby putting additional downward pressure on UK growth. This will definitely put pressure on the Bank of England's interest rate setters to proceed with even bigger (than currently predicted) interest rate rises, so as to prevent the formation of a house price bubble.

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