

Adam Posen, the newest member of the Bank's Monetary Policy Committee, has said that the Government should consider imposing extra taxes on properties, suggesting that in future homeowners should have to pay an extra charge if prices rise too fast. He suggested that this may mean imposing capital gains taxes on first homes and raising stamp duty.

The comments were made in a speech at a conference in London on Tuesday. Posen said that while he was "speaking solely for myself alone as an economist looking at the boom-bust problem", he felt some kind of tax penalty on house prices was an important solution to Britain's repeated housing crashes.

It is progress of sorts that an economist in a position of influence should have noticed the connection between the property boom and the present state of the economy. But in calling for taxes on property transfers, he could not be more wrong.

To see the effect of capital gains taxes, Posen need look no further than Sweden. People who bought houses twenty or thirty years ago cannot afford to move because of the size of the tax bill they would face. So they stay put in houses that are no longer suitable for their needs, whilst families for whom these houses would be ideal are faced with a shortage of the right sort of homes for them. The tax has locked up the property market.

What is it about qualified economists that makes them unable to see the blindingly obvious?