



Six months ago I wrote about the seemingly willfull ignorance of the global effects and spread of the so-called sub-prime mortgage crises in [this post](#).Â The United Kingdom has indeed been facing a calamitous trend very much as we have.Â The latest is [a series of cuts](#) to the English equivilent to the Prime Rate, three cuts so far, to the current 5% (still double our 2.5%).Â In an interesting turn, however, [lenders have not been passing](#) these cuts along to borrowers.Â So, while liquidity in the capital markets has been preserved, little or no beneficial effect has reached the consumer.Â Meanwhile [home prices in the UK have dropped](#) by 2.5% just in March.

The British as a people are deeply in debt, [more so than any other rich country](#).Â By various measures the average household in Britain carries from Â£9,052 to Â£56,078 in debt (depending upon whether or not mortgages and unsecured loans are included).Â This represents a national debt to GDP ratio of 1.62:1, versus 1.42:1 in the US and 1.09:1 in Germany (widely considered a wealthy country).Â The Brits enjoyed the fruits of this profligate borrowing and spending while rates were low.Â But, a combination of rising rates in the past 12 months, and then the collapse of the American sub-prime market, the run on Northern Rock, the ensuing BOE bailout and now cascading home prices...

[As the Bard said](#) "'tis not well/That you and I should meet upon such terms/As now we meet. You have deceived our trust,/And made us doff our easy robes... A prodigy of fear and a portent/Of broached mischief to the unborn times"