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 calamatous 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 considerd 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"