An article in the Daily Telegraph today (10 July) reported that

"Britain's economic difficulties came to attention at a meeting of European Union finance ministers, who have voted to condemn Britain for flagrant breach of the Maastricht spending rules, irked that the UK government has not even tried to keep its budget deficit below the treaty limit of 3pc of national income. By its own admission, Labour will need to borrow at least 3.2pc of GDP this year, even if the economy holds up well.

"It warned that UK public finances were no longer on a sustainable course after the spending blitz of recent years. Yesterday's vote is the first time the EU has launched disciplinary action against a big Western state under the revamped Growth and Stability Pact. The UK now has the worst fiscal profile of any developed country in the North Atlantic sphere. The European Commission expects the UK's public debt to rise from 43.2pc of GDP last year to 47.5pc by the end of next year.

"The ritual of naming and shaming at EU meetings is likely to prove a constant thorn in the side for Labour. There is no chance that the deficit can be brought back under control in the foreseeable future. The deficit always deteriorates in a downturn. Capital Economics said borrowing needs could explode to £120bn a year if the country tips into a severe recession, as many now fear. Britain is now in an ugly predicament. Unlike Spain or the US, it cannot easily resort to a fiscal boost - either tax cuts or extra spending - to cushion the effects of the property collapse."
Read the full article in the Daily Telegraph

It looks as if not only could the £ end up dropping below the Euro, itself not in the best of shape, but that Britain would not be allowed to join if it did.

The best news is that the Bank of England has not cut interest rates this month, but given the disastrously unhealthy lock-in between the housing market and the rest of the economy, there is still serious trouble ahead as the authorities try to avoid inflation on the one hand and collapsing house prices on the other. As mentioned here previously, the hoped-for soft landing from the housing boom has turned out to be a heavy tumble.

It is a bold claim to make, but had Labour put an LVT system in place soon after it came to power in 1997, none of this would have happened. With LVT levied at a substantial rate instead of taxes on labour goods and services, the overall economy is in healthier shape and better able to withstand shocks. It also prevents reckless lending and reckless borrowing for land purchase (masked as house purchase), as some people scramble to get on the housing ladder and others borrow for consumer purchases on the strength of the rising value of the land their houses stand on.

With LVT, there is no housing ladder. People buy and sell houses much as they buy new and second-hand cars. When they do so, they take on the liability to pay the LVT at the assessed value of the site their house stands on. This assessed value is not some figure plucked out of the air, but a market value, derived from records of actual transactions. The sub-prime mortgage crises and its consequences would have had no direct effect on the economy of any country with LVT.