

The British Pound, Not So Sterling: UK Banks are Technically Insolvent

By [Global Research](#)

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In November, Willem Buiter [warned](#) that the UK could follow Iceland into default:

“With the pound sterling dropping like a stone against most other currencies and credit default swap rates on long-term UK sovereign debt beginning to edge up, this is a good time to revisit a suggestion I made earlier on a number of occasions (e.g. [here](#), [here](#) and [here](#)), that there is a non-trivial risk of the UK becoming the next Iceland.

The risk of a triple crisis – a banking crisis, a currency crisis and a sovereign debt default crisis – is always there for countries that are afflicted with the inconsistent quartet identified by Anne Sibert and myself in our work on Iceland: (1) a small country with (2) a large internationally exposed banking sector, (3) a currency that is not a global reserve currency and (4) limited fiscal capacity.”

All of this seems to be coming true.

UK banks are technically insolvent.

The risk of a sovereign debt default [is real](#). As John Higgins, of Capital Economics, [points out](#):

“The 5-year credit default swap for the UK government has widened by 25bp since early January.”

And the Sterling is tanking. Indeed, Jim Rogers is [saying](#):

“Sell any sterling you might have. It’s finished”

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