Evidence of more procyclical leverage in arm’s-length financial systems may explain differences in spillovers from financial crises to the real economy.

Sources: Haver Analytics; IMF, International Financial Statistics database; OECD, Analytic Database; OECD, Economic Outlook (2008); and IMF staff calculations.

1 The sample is constant for all years.

2 Difference in medians is statistically significant for all values of t. Bank leverage is defined as assets divided by equity.