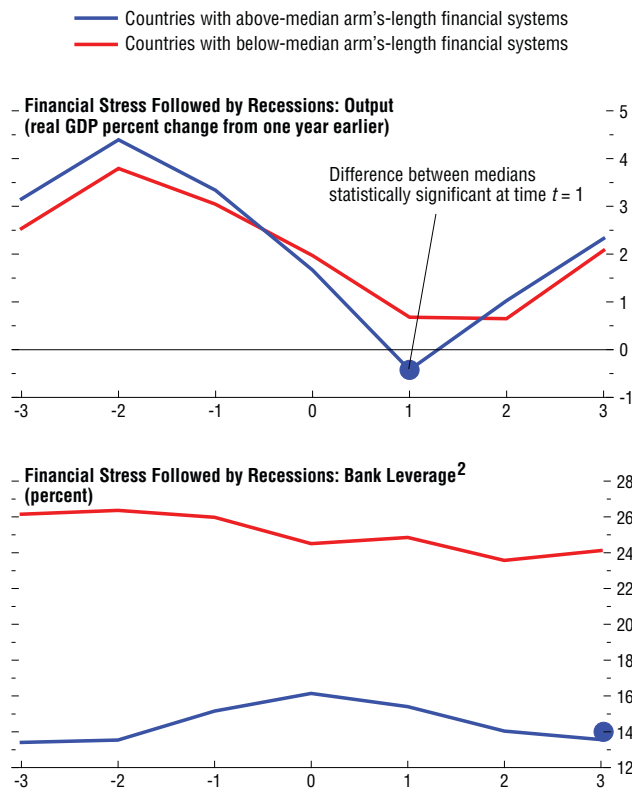


### Figure 4.14. Arm's-Length Financial Systems, GDP Growth, and Bank Leverage

(Median; start of financial stress episode at  $t = 0$ ; years on the x-axis)<sup>1</sup>

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.

<sup>1</sup>The sample is constant for all years.

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