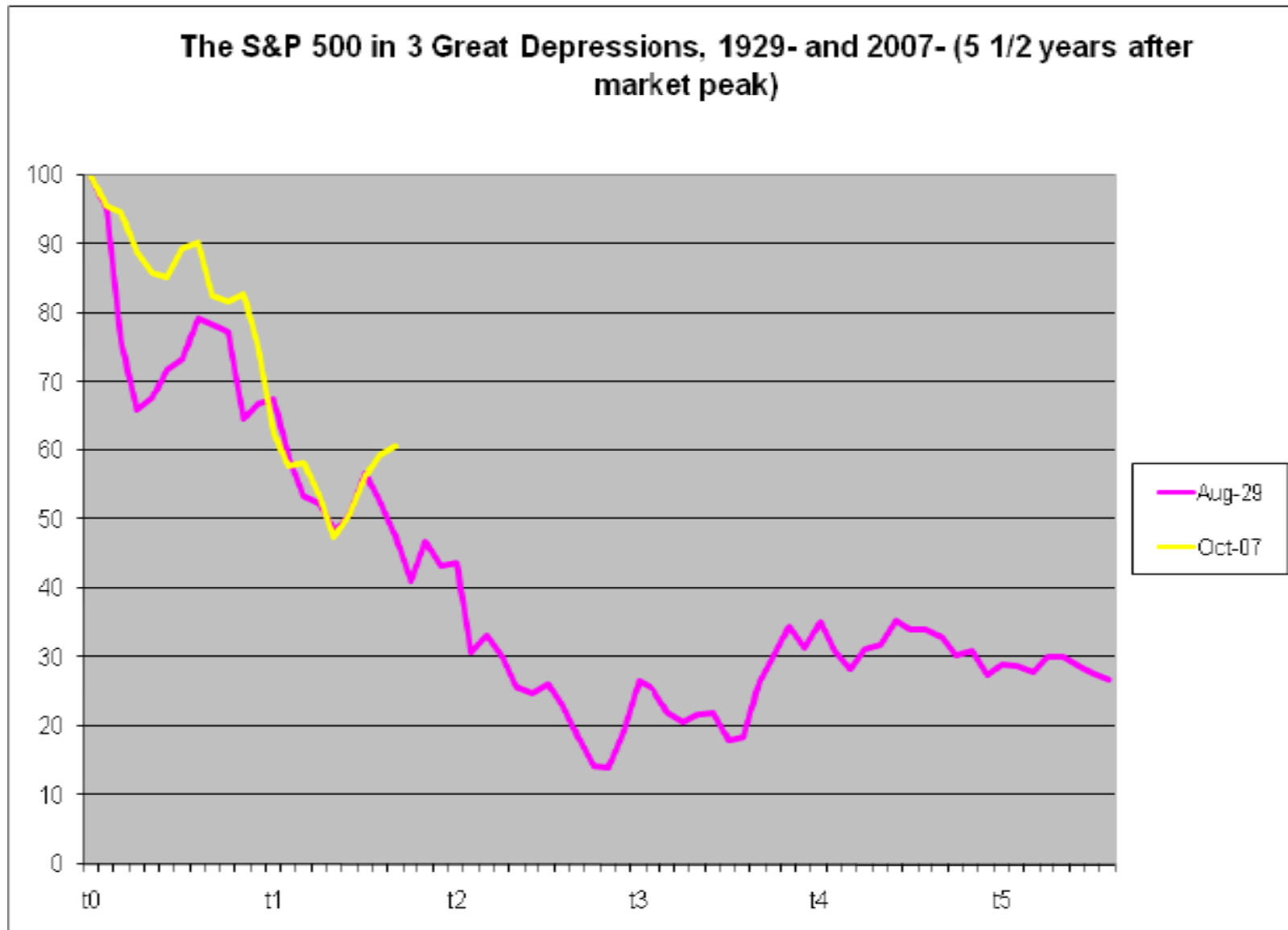
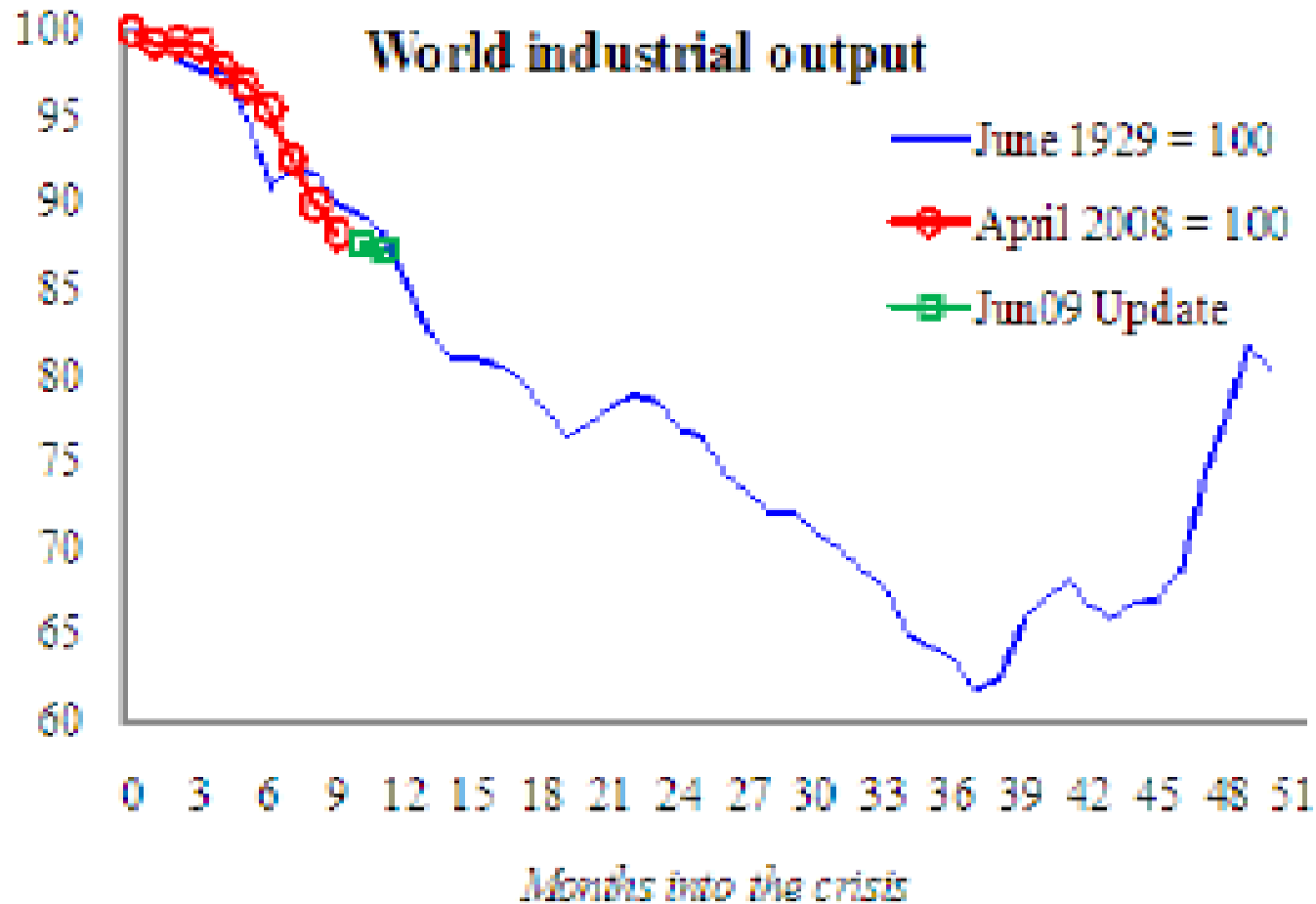


This isn't just an American crash



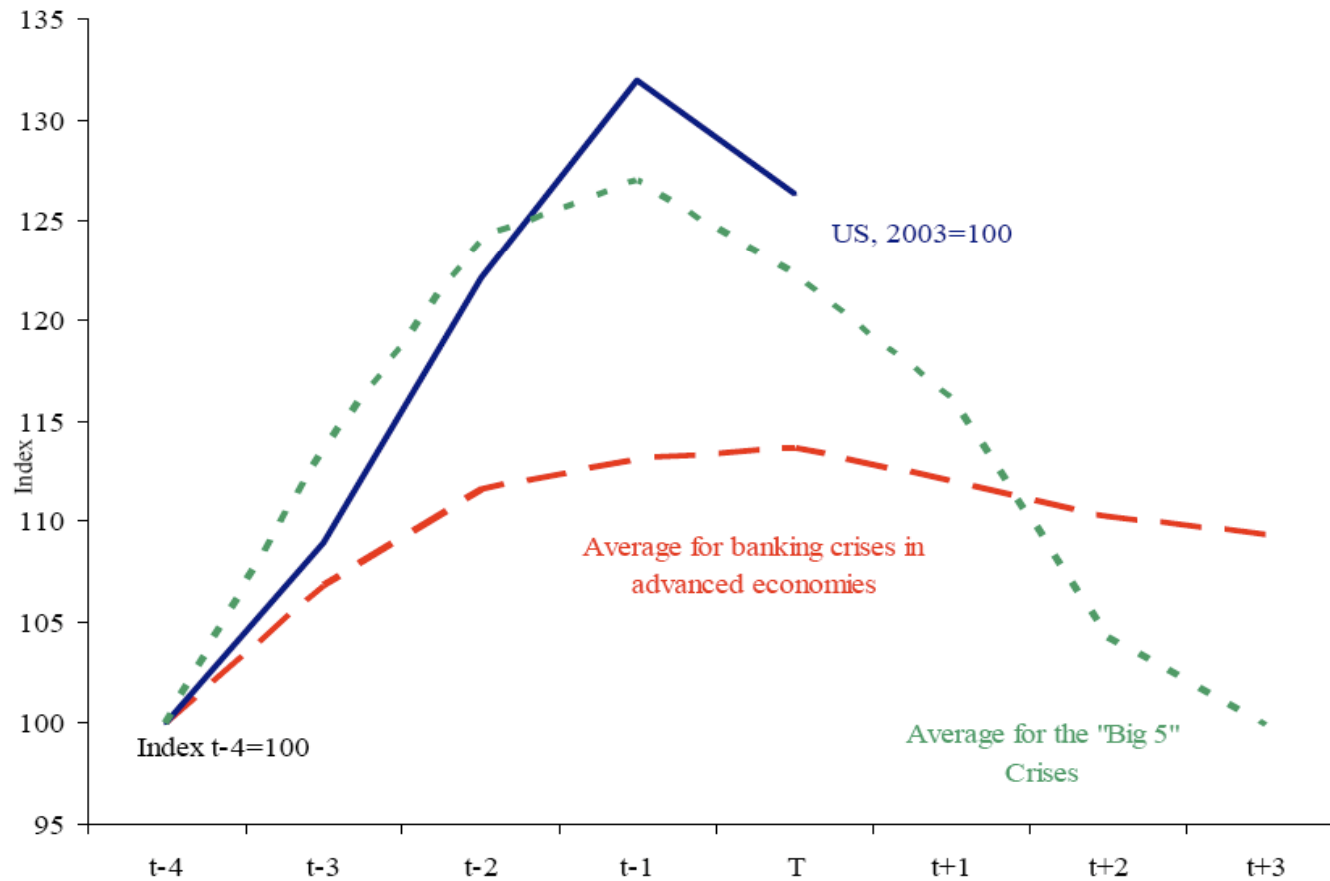
And potentially a Great Depression



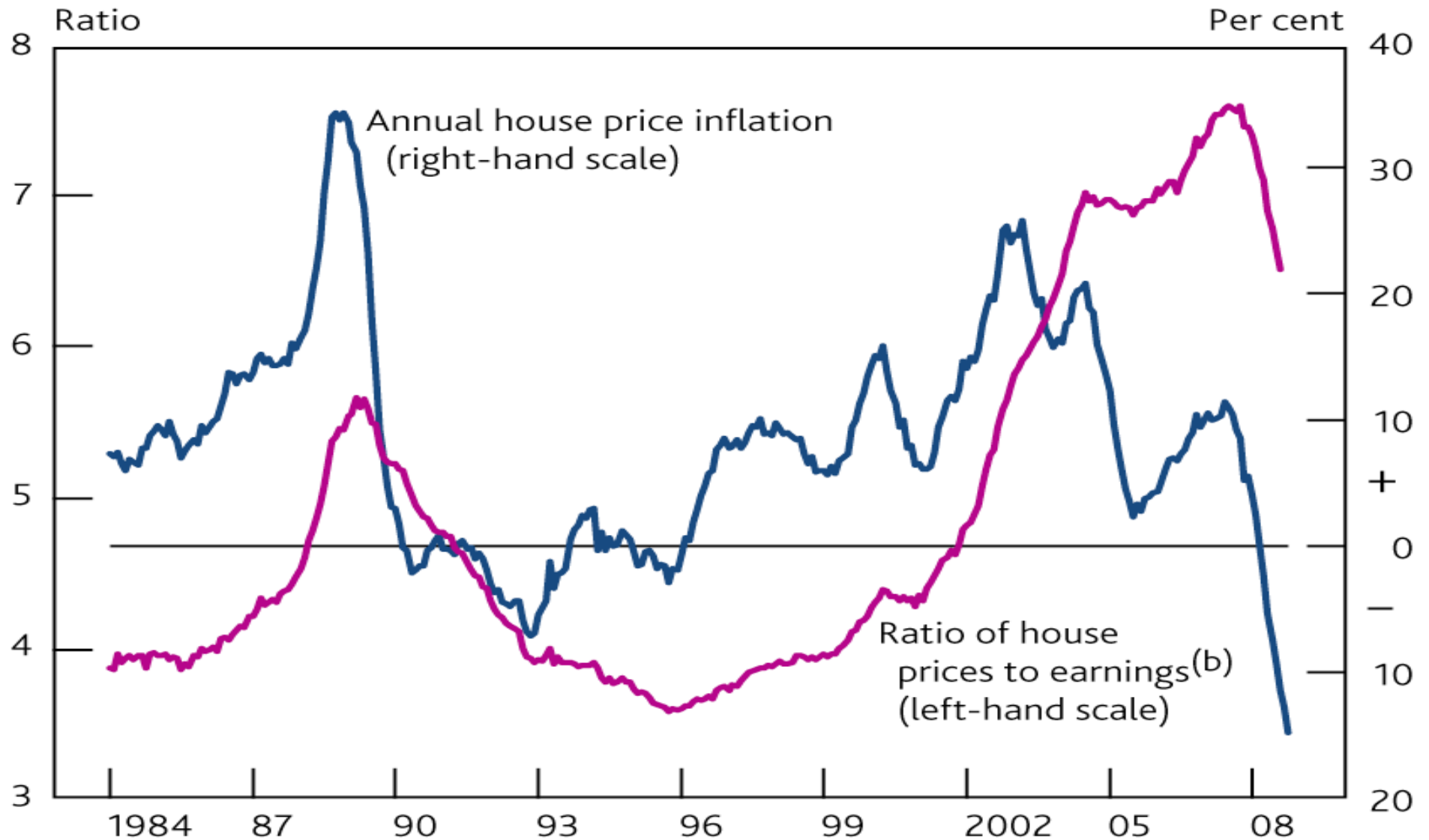
Source: Eichengreen and O'Rourke

House prices in the US

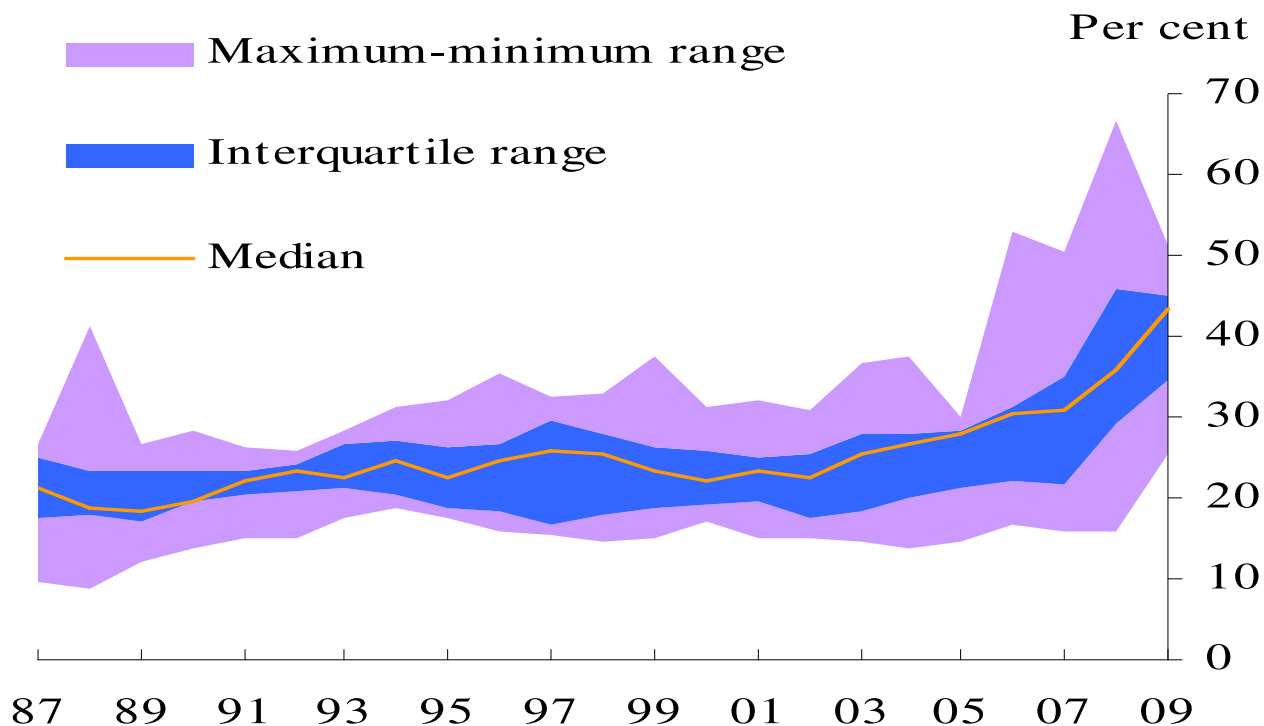
Figure 1: Real Housing Prices and Banking Crises



UK house prices



UK bank gross leverage ratio

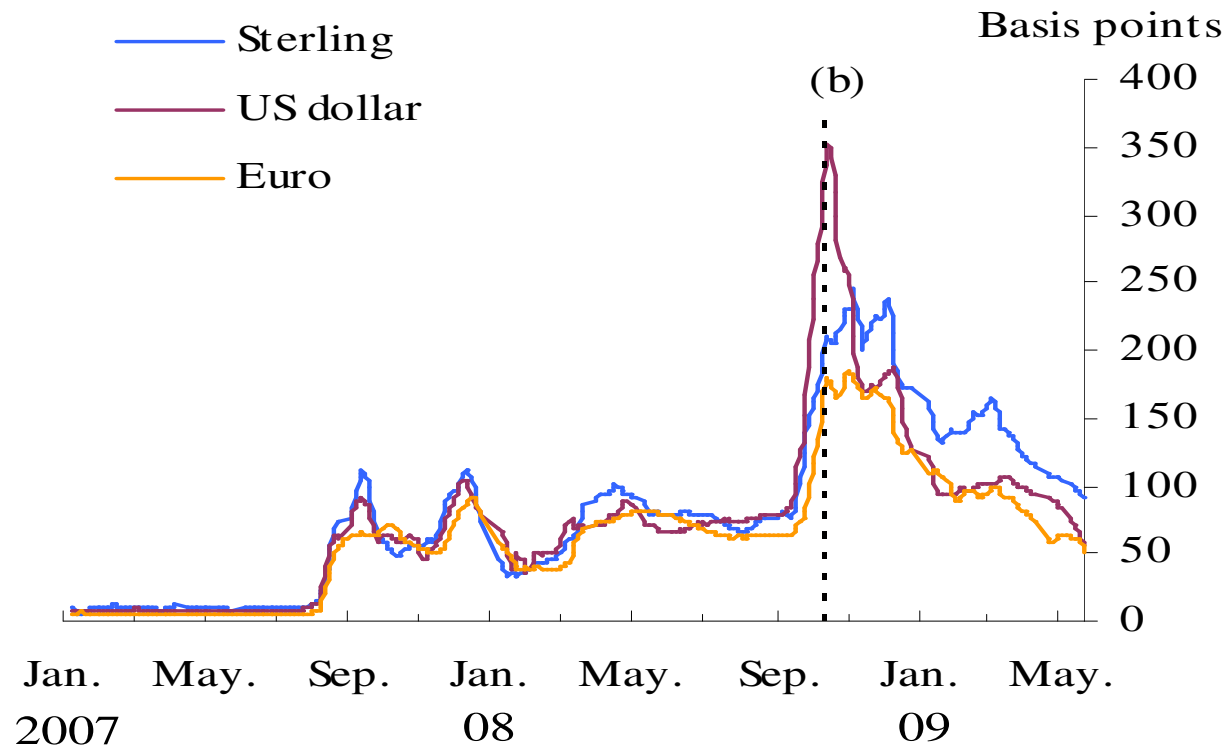


Source: Thomson Datastream, published accounts and Bank calculations.

(a) Gross leverage measured by total assets divided by shareholders equity minus minority interests.

(b) Due to the mergers and acquisitions of banks, the chart includes data for the bank peer group as used in 'A new peer group to analyse large UK-owned banks resilience over time', Financial Stability Review, Box 7, December 2004, page 68.

Three-month interbank spreads

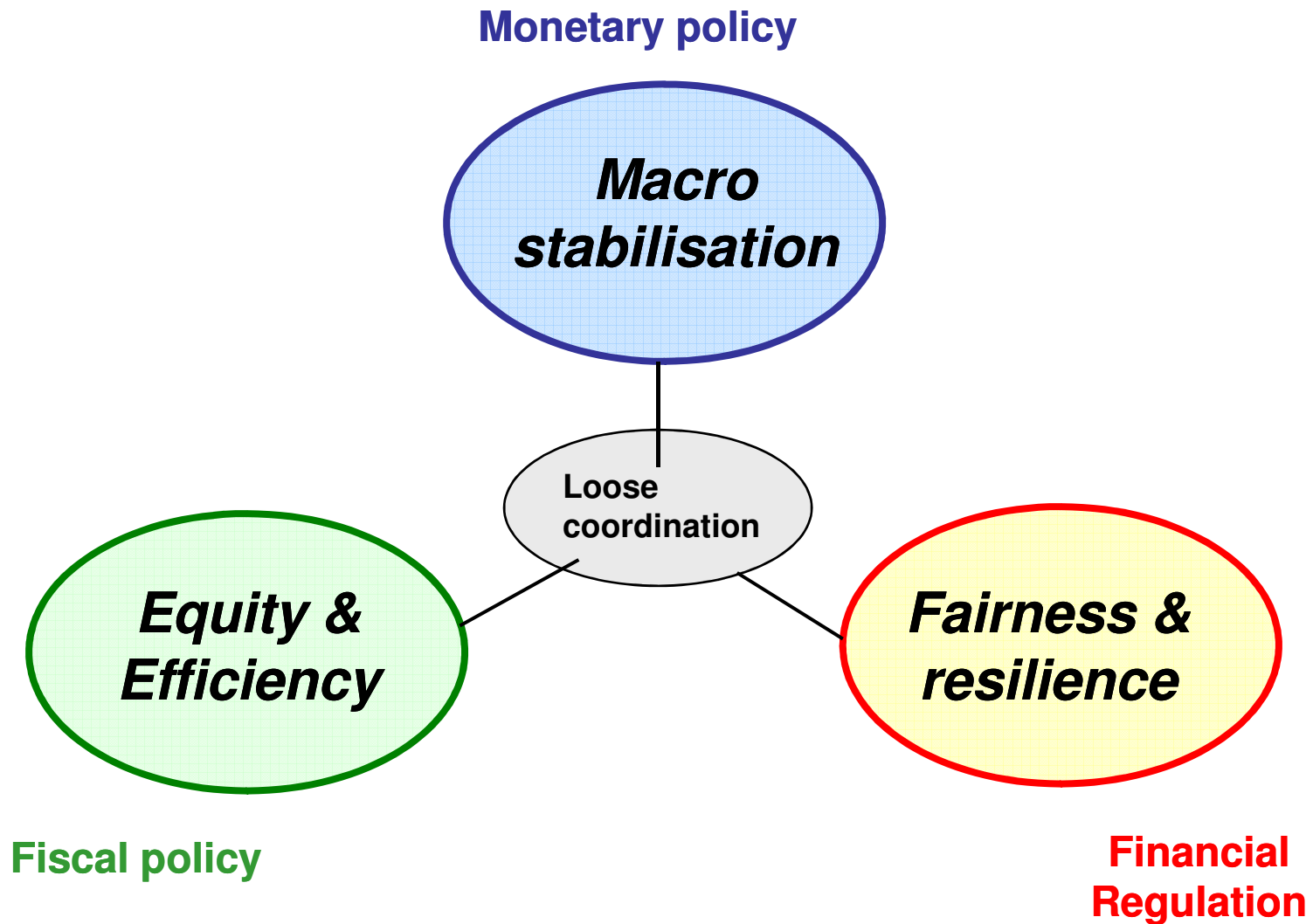


Sources: Bloomberg and Bank calculations.

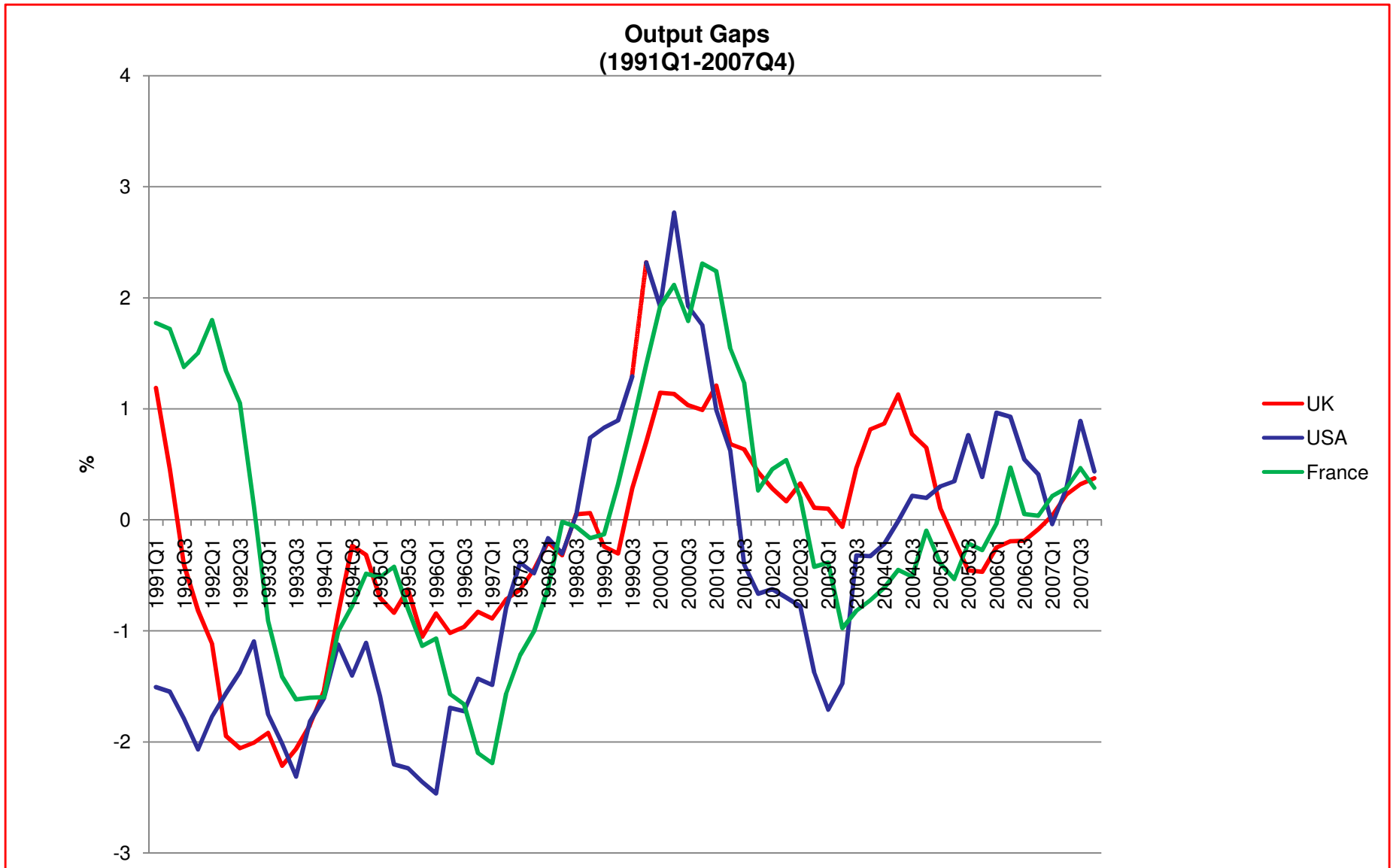
(a) Spread of three-month Libor to three-month overnight indexed swap (OIS) rates. Five-day moving average.

(b) October 2008 Report.

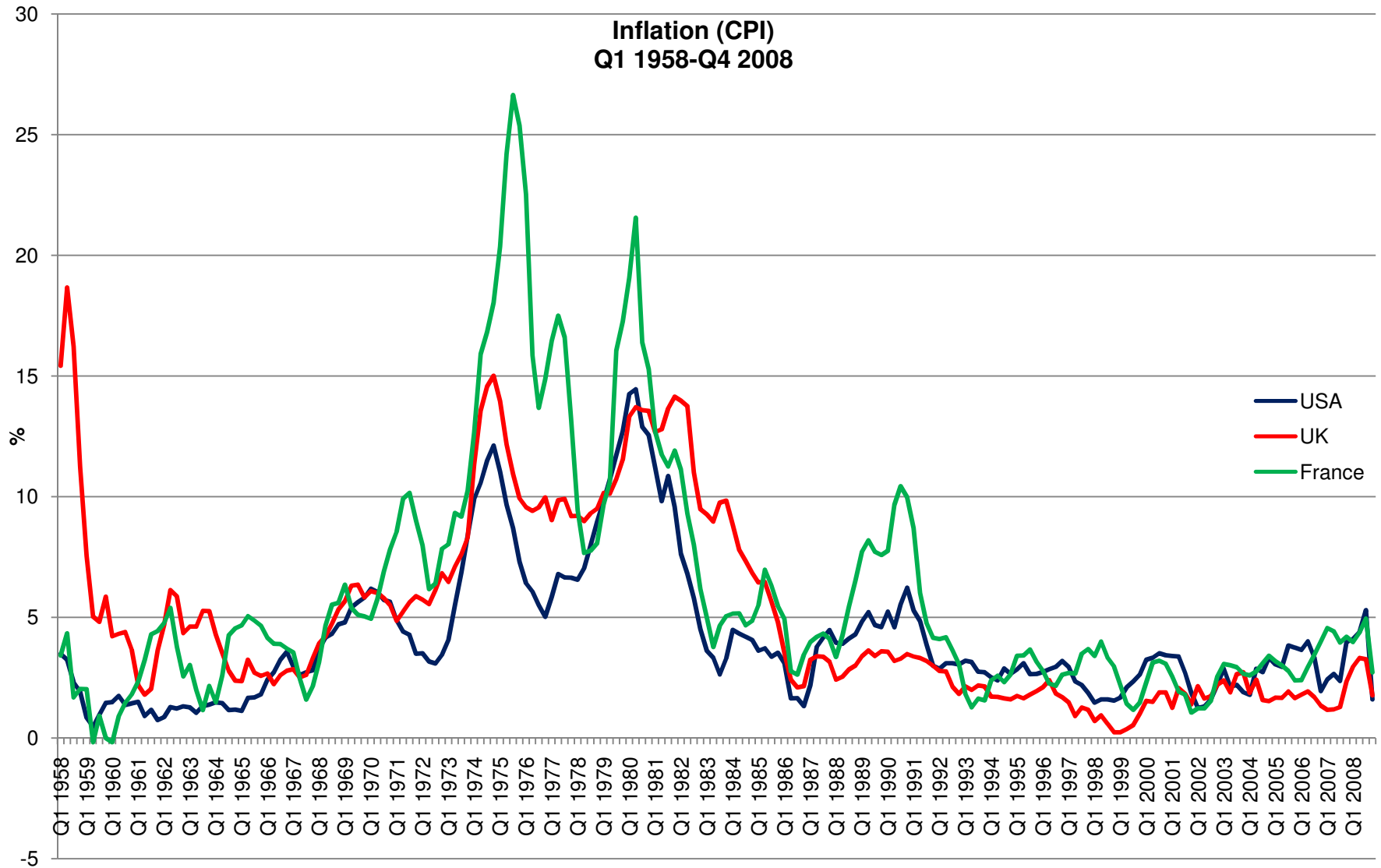
Separation of Functions



What happened – output gaps



What happened – prices



Interdependence

