



# Church and Society Council Conference

Saturday, 12 September 2009

# How did we get here?

- The (successful) anti-inflation journey from the 1970s
- The 'marketisation' of finance
- Naïve deregulation
- Globalisation of capital flows

# Economic wreckage

Trillions of US Dollars

World GDP 2007	54.6
Financial write downs to August 2009	1.6
- lending impact assuming 12:1 leverage	19.2
Decline in global equity value	13.1
Implied 'wealth effect'	32.3

# The wrecks' league table

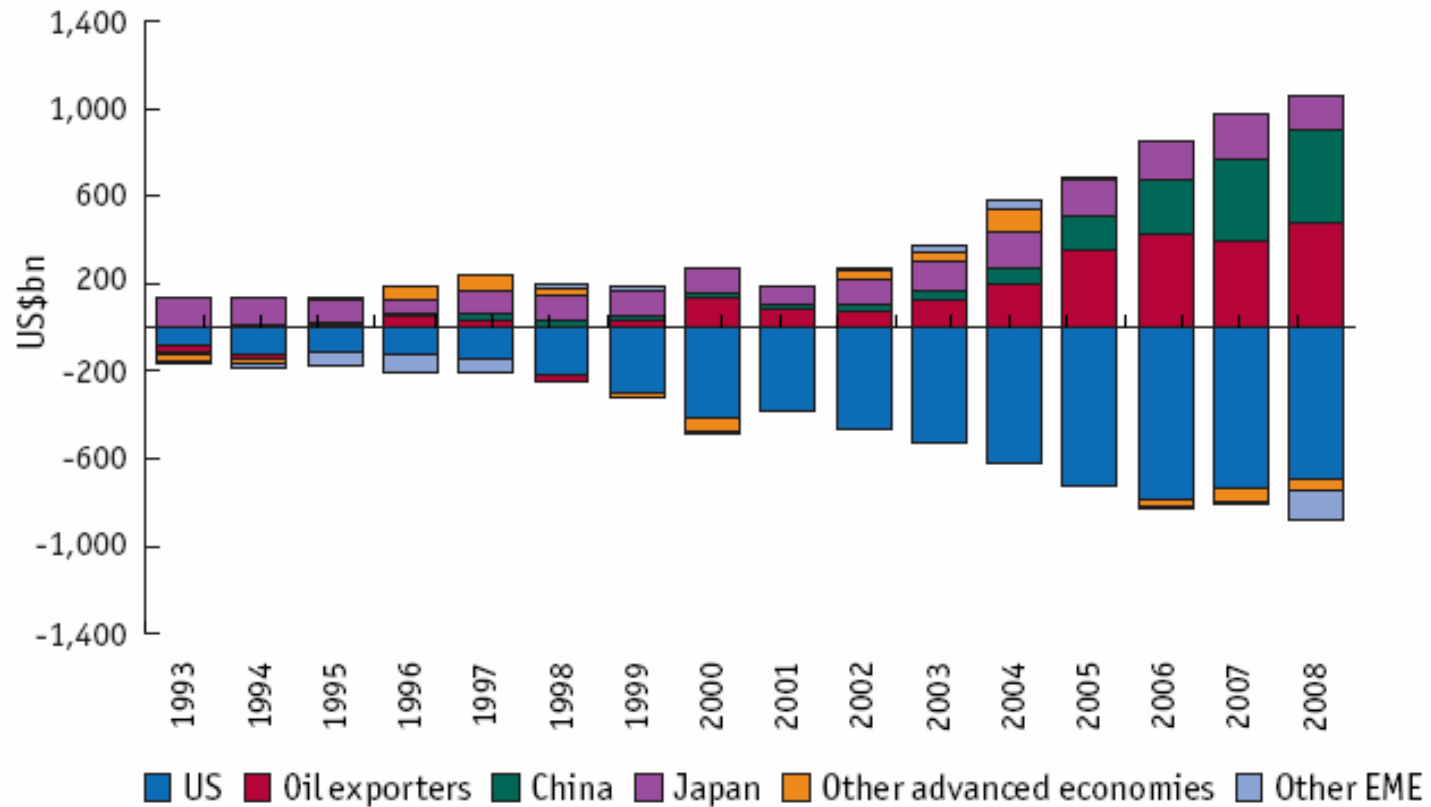
As of 18 August 2009

	Company	Total write downs and credit losses since Jun 2007 (\$bn)
1	Freddie Mac	119.6
2	Fannie Mae	118.3
3	Citigroup	112.2
4	Wachovia Corporation	101.9
5	American International	101.4
6	Bank of America	69.6
7	Merrill Lynch	55.9
8	UBS	53.1
9	HSBC	50.1
10	JPMorgan Chase & Co	49.2
11	Washington Mutual	45.3
12	Wells Fargo	32.8
13	HBOS	29.2
14	Royal Bank of Scotland	28.6
15	National City Corporation	25.2
16	Barclays	23.4
17	Morgan Stanley	23.0
18	Credit Suisse	19.1
19	Deutsche	18.5
20	ING Group	17.5
	<b>Worldwide</b>	<b>1596.8</b>

Regional Summary	
Americas	1074.8
Europe	480.9
Asia	41.1

Source: Bloomberg

# Global current account balances

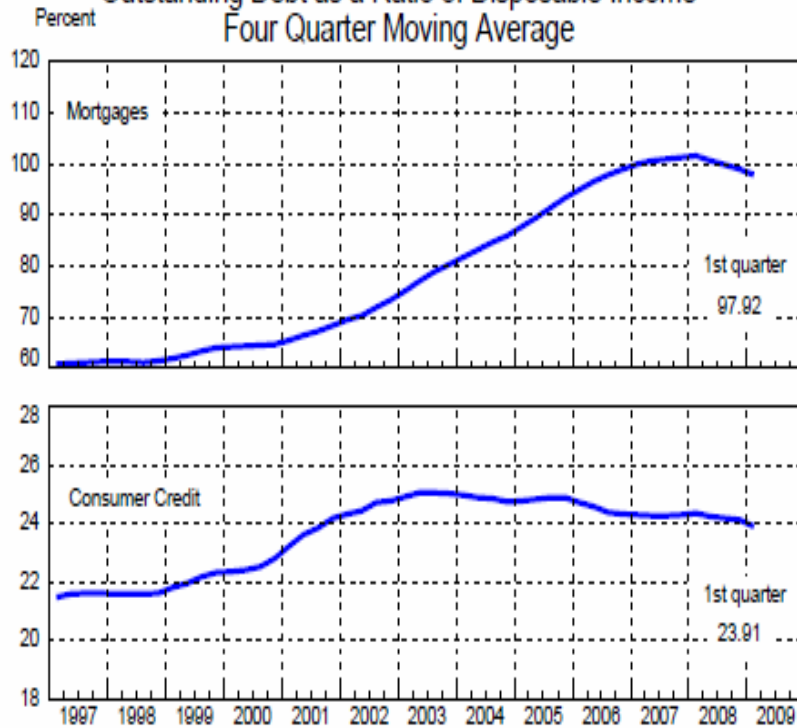


Source: Datastream, FSA calculations

# US housing indebtedness

## HOUSEHOLD DEBT BURDEN

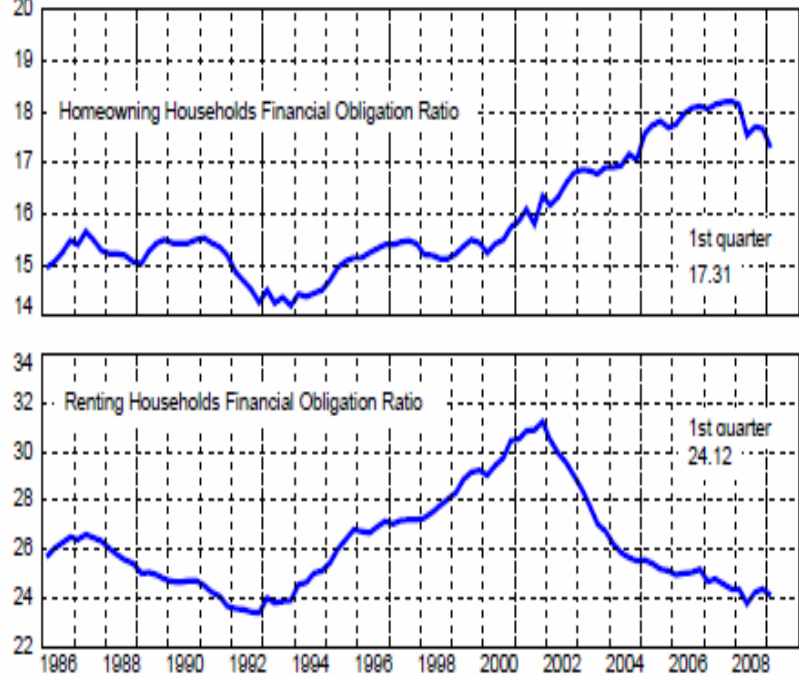
Outstanding Debt as a Ratio of Disposable Income  
Four Quarter Moving Average



Source: Federal Reserve Board

## HOUSEHOLD DEBT SERVICE

Percent



Source: Federal Reserve Board

Source: US Federal Reserve

# UK housing equity withdrawal



Source: Bank of England

# Public debt and stabilisation costs

In percent of GDP

Country	Gross government debt		Percentage increase	Financial stabilisation costs as percentage of GDP
	2008	2010	2008-2010	
Canada	64	77	20.3	4.4
France	67	80	19.4	1.8
Germany	67	87	29.9	3.1
Italy	106	121	14.2	0.9
Japan	196	227	15.8	1.7
United Kingdom	52	73	40.4	9.1
United States	71	98	38	12.7

Source: IMF

# How do we get away from here?

- The socialisation of risk / 'moral hazard'
- How to encourage good (or just less risky) behaviour?
- Financial markets that serve us, not the reverse
- Credit - to whom is it due?