Now, two years after the collapse of Lehman Brothers, some consensus on the causes of the crisis has been formed among policy makers, practitioners in financial institutions and economists. See Statement by Ben S. Bernanke, chairman of FRB, before the Financial Crisis Inquiry Commission on September 2, 2010.[1]

Background: Global Imbalance, Great Moderation or “Greenspan Put”
Trigger: Burst of Housing Bubble

I. **Vulnerabilities**: Deficiencies in Risk Management and Permissive Regulatory Policy
II. **Amplifying Mechanism**: Traditional “Bank-run” type + Liquidity Spirals

[1] http://www.federalreserve.gov/newsevents/testimony/bernanke20100902a.htm

The increase in Global Imbalance was of advantage to Japanese exporters in two senses. First, U. S. provided huge demand to durable goods such as consumer electrical appliances or automobiles. Second, international capital flow to finance the massive deficits of the U. S's current account brought about the depreciation of Yen.

Thanks to these two factors, Japan's export surged and the Japanese economy took a turn for the better. However, the outbreak of the current financial crisis made it unavoidable to rebalance the Global Imbalance in a very short term. The above two factors were reversed and Japan's export plunged. The Japanese economy was dramatically worsening. After the economy reached at the output level in 2002 when the economic expansion begun, it has been bottoming out slowly.

In this sense, Japan's economic recovery for 2002-07 was owing to the Global Imbalance that was unsustainable and should not be recurred. If we omit the economic recovery for 2002-07, the Japanese economy has been depressed even in these two decades. The Japan's protracted recession may be regarded as is "due not only to its financial collapse but also to the need to reorient its economy in light of China's rise." [2]

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[2] C. M. Reinhart and K. S. Rogoff, *This Time is Different*, 2009.