

JAPAN IN THE GLOBAL FINANCIAL CRISIS

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〈SUMMARY〉

While the US subprime loan crisis quickly spread to the rest of the world and seriously impacted the global economy, Japan's financial system escaped the damage. We identify five factors that contributed to the financial stability: expectation of yen appreciation, improved financial supervision, nature of funding for securitized products, absence of housing bubbles, and ample public liquidity provision of the central bank. We also point out that the government policies in the aftermath of the crisis jeopardize the financial stability. We derive lessons for policymakers from the Japanese experience under the global financial crisis.