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このコンファレンスで日本経済、日本の金融政策について次のように発言しました。
My statement at the panel on the Japanese monetary policy is pasted below:

ITO: Thank you for the kind introduction. Since I was appointed as a member of the Council on Economic and Fiscal Policy just a month ago, I should start with a disclaimer that whatever I say today is with my own academic hat, which I still maintain, and not necessarily of the economic policies of the Abe administration.

This is a really good opportunity to look back at the 20 years of the Center's existence. Over the course of 20 years, the Japanese economy experienced a bubble, the burst of the bubble, deflation and recovery. So we are back where we were 20 years ago. It's been talked about as a lost decade, but I would say that actually 20 years were lost and we are now back to the future. The task for Japan now is whether we can sustain an economic recovery, have growth without a bubble and without deflation. The recent recovery is encouraging; in fiscal 2005, we saw a 3.2% economic growth, while we are expecting to have 2% growth in fiscal 2006 (April through May 2007). We are near the potential growth rate and the challenge is to maintain it for let's say two years, to maintain this 2% pace. To do this, we need both fiscal and monetary policy that supports this growth without the economy overheating or go back to deflation.

Since the title of this session is "Monetary Policy and the Exchange Rate," let me focus on monetary policy. As you remember, Japan introduced the zero interest rate policy (ZIRP) in February 1999. It was temporarily lifted in August 2000, and many people blame the central bank for making the mistake by falsely believing that the economy would get out of deflation soon, while the economy was still in a deflationary spiral and had no prospect of over heating. When the economy soured again, the Bank of Japan re-introduced ZIRP in March 2001 with an additional feature called quantitative easing. It was to provide more than enough liquidity to the financial system. This continued for five years. Quantitative easing ended this year in March, while ZIRP ended in July. This indicated that the Japanese economy normalized.

As economic recovery continues, the obvious question is when the BOJ will raise interest rates again and to what level. Also, what inflation rate are they going to target or try to achieve? Many people in Japan are asking these questions over the short term. It is my personal belief that deflation is a difficult situation because when interest rates are lowered to zero, it cannot go negative. This means real interest rates go higher and higher as deflation becomes worse and worse. And there is no conventional monetary policy which could rectify that deflationary cycle. So I do believe that avoiding deflation is a very important task of the central bank and the one lesson learned from the Japanese experience in the last 10 years is that deflation is bad. I know other central banks looked at the Japanese experience and decided not to lower the target range to zero but to maintain a floor of 1%. Inflation targeting is a popular framework among some central banks, but not with the U.S. Federal Reserve.