Next, let me move on to reviewing the performance of monetary policy.Since then, many countries had the same experience that price stability would not automatically ensure macroeconomic stability.First, price stability and financial system stability are both prerequisites for macroeconomic stability.Looking back at the serious economic downturn after the failure of Lehman Brothers, very few think that reducing interest rates by a few percentage points, enabled by having a higher target rate of inflation, would have materially changed a recovery path of the economy.6 That suggests how devastating damage financial system instability inflicts on the economy.In fact, all the macroeconomic indicators except for one showed the necessity of withdrawing monetary easing: high economic growth, tight labor market conditions, rapidly growing bank lending, and bloated asset prices.Second, price stability itself is desirable, but it entails a complex mechanism for destabilizing the financial system, if combined with over-confidence in economic agents and unfounded expectations about the prolonged low interest rates.7Japan received high marks in performance criteria for inflation targeting, which would prevail later on. At that time, there was debate about the necessity of exiting extremely accommoda- tive monetary policy in Japan.To digress a little bit, before the current crisis, a safety margin against the zero lower bound of nominal interest rates was often pointed out as one of the justifications for tar- geting a small but positive rate of inflation.Consumer price index (CPI) inflation came down to 1.1 percent in Japan, while the average of other G-7 countries remained at 3.9 percent.In parallel, public understanding about monetary policy was enhanced in two points: price stability as the primary objective, and the importance of central bank independence to that end.Around that time, Japan delivered a remarkably good macroeconomic per- formance, compared with other advanced countries.Although infla- tion accelerated from the 1970s to the early 1980s, it then started declining noticeably around the mid-1980s.As a result, low inflation stood against the Bank of Japan, and delayed the policy reversal toward tightening.Real GDP growth reached 5.1 per- cent in Japan, while the average of other G-7 countries stayed at 3.4 percent.The outlier indicator, however, was exactly CPI inflation.