

'India growth despite poor infra a miracle'

Partha Sinha | TNN

Mumbai: Indian policymakers need to address the current situation where the nominal rate of interest is lower than the rate of inflation, which is a situation of negative real rate of interest, quickly to get the economy on a solid footing once again, feels Martin Feldstein, a Harvard professor of economics and a long-time India watcher.

Feldstein is impressed with India's growth story so far, with the GDP growing at 8-9% every year, but feels that there is a lesson to be learnt from the recent rise in inflation and rate of interest, that threatens to slow growth.

"I'm very impressed with India," Feldstein said. "Despite so many institutional flaws, like terrible infrastructure, terrible primary and secondary education system, the GDP is growing at 9% annually, there is a variety of industries, so many entrepreneurs... it's a miracle," he said. Feldstein was in Mumbai to address a select gathering at Canara Robeco Mutual Fund's Thought Leadership Series of lectures.

The Harvard professor, who is also an advisor to the



Martin Feldstein, Harvard professor of economics

Dutch asset management major Robeco, also looks at India as an investment destination very favourably. When international investors ask him where to invest around the world, he points them to India as one of those which they can look at, he said.

Interestingly, Feldstein feels that India is more closed than China because things move at a much faster rate in China than they do in India. "China is much more open than India," he said. Feldstein feels China has done an 'incredible job' of growing the economy over the last 30 years, and India has a lot of

catching up to do.

On the economic situation in Europe, Feldstein feels that the continent is likely to remain weak.

"They continue to muddle through," said the Harvard professor who was vocal against such a single currency mechanism (euro) for countries with unequal growth and productivity levels since it was conceived, said. However, the impact of the continuing mess in Europe on the global economy is expected to be relatively small as long as the problems are limited to smaller countries in the union, "and even smaller for India," Feldstein said.

The professor who just a few years ago was one of the top economic advisors to US president Barak Obama on rebuilding the crisis-hit economy, expects countries like Greece will continue to get 'handouts', that is monetary help from Germany, and in turn Germany will continue to have low interest rate and a robust business environment. He thinks it is unlikely that the current European Union will allow even a smaller country like Greece to leave the single-currency structure because the EU is "afraid of (this exit) being contagious".