



Alan B Krueger addressing ZEE Leadership Series programme in Mumbai on Friday

'India is in a stronger position and needs structural reforms'

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Alan B Krueger, *Bendheim professor of economics and public affairs and former chairman of the White House Council of Economic Advisers*, was in India to share his views on the US economy and enterprise as part of ZEE's Leadership Series initiative. Ranked among the top 50 economists in the world, according to *Research Papers in Economics*, he took time off to interact with select media and discussed at length various issues including US economy and Fed policies. Excerpts

What's the current trend in US economy where interest rates are near zero?

Quantitative easing has been helping the economy. The US Fed actions have strengthened the demand in autos, home and construction sectors to name a few. Home prices have in fact registered an upward trend. Without QE, housing sector would have been substantially weaker. The US economy is gaining strength and the fiscal situation looks better. We are closer to the point where the US economy could stand on its own path. There were a number of economists expecting a stronger growth or rebound but then the European crisis had a longer lasting impact on growth. The Europe debt crisis added to the woes and led to a drag on expansion of US.

The recovery is now on for over five years. Unemployment levels have

come down to 6.1% and is better than 2011 levels. The mission of QE is to create stable prices and employment. Financial stability is what the Fed is looking at.

The world has seen the positive impact of quantitative easing and major emerging markets are scaling new all-time highs. Your views please.

QE has led to great investments in emerging markets, especially India. When the former US Fed chief Ben Bernanke (in mid 2013) indicated QE tapering, markets did react adversely, but India has weathered the tapering after exchange rate did fall before stabilising.

When the concern of QE versus currency stabilisation was raised by Indian Reserve Bank of India, a former governor of the Fed had remarked it was not the responsibility of the US to manage currency fluctuations of other economies. What do you think about it?

US Fed's mission is to maximise employment and stabilise price inflation. The central bank also defacto targets financial stability across the world. The Fed looks at how it is affecting the world and the US economy. It has to maximise its own interest, so should the rest of the world be. Countries need to be well regulated for stability of their financial systems. What matters in India is structural reforms than the US monetary policy. India is in a stronger position. Global markets are forward looking, though there will be bumps along the road.

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Q & A

'Fed will not move in unpredictable manner'

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Could you comment on impact of QE withdrawal?

Financial stability is what Fed is looking at. Its actions help in creating employment. As for US, it continues to be a major importer but still has a long way to go. Europe has been slow in its monetary easing. With US QE phasing out, their (EU) QE will become effective.

Is the US economy geared up for potential future catastrophe when rates go up?

The Fed is not going to move

in an unpredictable manner. Initial moves on interest rates will be small. Ultimately the interest of US and world economy would be considered before such moves. For example, if there is a slowdown in the economy interest rates can't be high but then they would be above zero per cent.

US has now been wooing business investments from other economies. Why?

US has not done a good job in selling itself. Barack Obama has made a decision to promote US, which is positive. US is a place to invest now. Our business is less

dynamic, it has slowed and now provide the right opportunity to invest. Indian oil companies could look at the advantage in gas firms where they could own natural resources if invested.

...on PM Narendra Modi's proposed visit to US.

Modi will receive a warm welcome when he visits US. India has moved slowly to US concerns of business in terms of tax, localisation of policies. On the other hand, American businesses are cautiously optimistic and hope to see a strong business relation with us.