Discussion of “International Reserves before and after the global crisis: Is there no end to hoarding?”
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- EMEs increased reserves accumulation after 1990s crises.
  - Precautionary insurance against volatility associated with financial globalization
  - Mercantilist motive
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- Post GFC, global macro landscape is volatile again; EMEs no exception.
- Reserve accumulation continued post GFC.
  - What has been the impact of GFC & structural changes in global economic environment on IR hoarding patterns?
  - Were some countries motivated to supplement IR with new policies post GFC?

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  - Group explanatory variables in 3 categories: Traditional macro, financial, new.
  - 'New' conditioning variables not studied in detail before GFC (SWFs, macro-prudential policies, access to bilateral swap lines, gross saving, ODI, exports composition)
    - SWF may reduce exclusivity of IR as the main financial buffer.
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- Examines adequacy of IR holdings; over or under-hoarding in 2010-2012.
- Whether and to what extent countries under-hoarding IR were susceptible to currency depreciation in 2012-13.

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- Developed countries: different motivations for IR holding
- Brazil, India, Indonesia, SAfrica, Turkey: under-hoarding during 2010-2012
- Negative correlation between currency depreciation & over-hoarding of IR in 2012-13.

I. 'New' variables

SWF:

- Out of 73 developing countries, barring oil producers, how many with SWFs?
  - Once IR reaches a level high enough to cover self-insurance needs, countries with high saving rates may opt for SWFs.
  - Estimate a threshold effect in IR; interact SWF dummy with savings rate?
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- How many developing countries had access to bilateral swap lines? (Brazil, Mexico, Korea, Philippines)
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ODI:

- Any evidence from literature establishing negative or positive link between ODI and IR?

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    - Is there anything specific about post-GFC period driving these?
    - Are these results driven by structural changes or by a few countries?
- Traditional factors-Financial exposure: Different sign for post-GFC and full sample
- During GFC: Higher opportunity cost increases IR: Why so?
- Macro-prudential policies have a positive effect on IR: Counter-intuitive; what are these policies?

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- Post-GFC: Too small a sample period of only 3 years (2010-12 model weak even for prediction exercise)
- What about countries without SWFs and/or swap line access?
- Renewed capital inflows in 2010: India, Malaysia, Chile & Colombia allowed currencies to appreciate while Korea & Peru increased IR; shift in Trilemma post GFC towards greater MI, less ERS?

- Interesting and insightful analysis bringing into light some less-discussed factors that might help explain IR patterns.
- Throws light on the dynamic nature of IR accumulation.
- Important policy implication: New factors might mitigate IR hoarding going forward.
- Points towards a possible regime-switch in IR accumulation-future research might test this more formally.

Thank You