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### Title of paper

Rules of the monetary game

### Biographical details/achievements

Dr Prachi Mishra is Specialist Adviser and Head of the Strategic Research Unit at the Reserve Bank of India. Prior to that she was Senior Economist in the Office of the Chief Economic Adviser in the Ministry of Finance, Senior Economist for the Prime Minister's Economic Advisory Council in the Government of India, and Senior Economist at the International Monetary Fund (IMF). At the IMF, she worked for the Monetary and Capital Markets, Research, Western Hemisphere, and Fiscal Affairs departments, and in the office of the First Deputy Managing Director. She received a PhD in Economics from Columbia University in 2004, and a Master's degree from the Delhi School of Economics in 1999.

## **Abstract of paper**

Aggressive monetary policy actions by one country can lead to significant adverse cross-border spillovers on others, especially as countries contend with the zero lower bound. If countries do not internalise these spillovers, they may undertake policies that are collectively suboptimal. Perhaps instead, countries could agree to guidelines for responsible behaviour that would improve collective outcomes. This paper puts forward some of the practical issues that need to be considered in framing possible rules of the monetary game. We argue that policies could be broadly characterised and rated based on analytical inputs and discussion. Policies that generally have positive or domestic effects could be rated 'green', policies that should be used temporarily and with care could be rated 'orange', and policies that should be avoided at all times could be rated 'red'. We provide a brief review of some of the frameworks that have been used in the literature to measure and analyse spillovers. We make the case that models may reflect the policy biases of those devising them, and may be at too early a stage to be able to draw strong conclusions from them. Therefore, while more empirical analysis should be undertaken, it should be seen as an input to a dialogue rather than definitive, with the analysis being refined as we understand outcomes better. The paper also discusses the specific role of the IMF in this context.