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2021

*Document Version:*  
Other version

[Link to publication](#)

*Citation for published version (APA):*

Esteves, R., Kenny, S., & Lennard, J. (2021). *The Aftermath of Sovereign Debt Crises: A Narrative Approach*. (Lund Papers in Economic History; No. 2021:221).

*Total number of authors:*  
3

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# Lund Papers in Economic History



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No. 221, 2021

## The Aftermath of Sovereign Debt Crises: A Narrative Approach

Rui Esteves, Seán Kenny & Jason Lennard

# The Aftermath of Sovereign Debt Crises: A Narrative Approach\*

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## Abstract

Default is as old as sovereign debt. Since 1820, countries that issued sovereign debt have spent 18% of time in a state of default. Despite the scale of the problem, the causes and consequences of defaults are still imperfectly understood. In this paper we quantify the aggregate cost of defaults, based on a large panel of 50 sovereigns between 1870 and 2010. Since defaults are endogenous to the business cycle, we use the narrative approach to identify plausibly exogenous debt crises. Our estimates yield significant and persistent costs of defaults starting at 1.6% of GDP and peaking at 3.3% before reverting to trend five years after a debt event. Moreover, we identify a large heterogeneity of costs by the cause of default. Higher costs are associated with defaults initiated by negative supply shocks, political crises, or adverse terms of trade. In contrast, domestic demand shocks have a moderate effect, quickly reversed. Despite working with a large sample, we document how average estimates of default costs can be sensitive to different dating and definitions of defaults.

**Keywords:** Business cycles, narrative approach, sovereign debt crises

**JEL Codes:** E32, F34, F41, G01, H63, N10, N20

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\*Acknowledgements: For help and comments, we thank Emilie Bonhoure, Gail Triner, Kim Oosterlinck, Larry Neal, Solomos Solomou and participants at the Economic History Society Annual Conference at Queen's University Belfast, the European Historical Economics Society Conference at the Paris School of Economics, the Swedish Economic History Meeting at Uppsala University, the Economic History Association Annual Virtual Meeting and the Banque de France.

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## 1. Introduction

Sovereign default, understood as the violation of the contractual service of external debt is an old hazard from lending to sovereigns. Since 1820 sovereign countries have spent 18% of time in a state of default (Tomz and Wright, 2013). Moreover, on four occasions, more than 30% of the world's debtors defaulted: the 1820s debt crisis, the 1873 crisis, the Great Depression and the 1980s crisis.<sup>1</sup> Despite the scale of the global default problem, its causes and consequences are still imperfectly understood. In this paper, we investigate the economic consequences of sovereign crises for a large panel of countries since 1870. We also show how these consequences vary with the underlying causes of the debt crises. In doing so we have to engage with two important empirical challenges.

The first is heterogeneity. Long-run default chronologies scale crises equally, but some episodes are bound to be more severe than others. Failing to account for this can cause attenuation bias if there are small mistakes in the classification (Romer and Romer, 2017). One potential reason has to do with the type of nations. Across the whole period surveyed by Tomz and Wright (2013), the unconditional probability of default is 1.7%. However, this averages out the experience of developed nations that rarely defaulted in the period with that of developing nations that defaulted repeatedly. Concentrating only on countries defaulting at least once, the probability of default increases to 3% or 3.8% if we restrict ourselves to the period since 1980 (Tomz and Wright, 2013). Another reason for heterogeneity of default outcomes are the circumstances of default. Paraphrasing Tolstoy, “every unhappy country is unhappy in its own way”, and in this paper we investigate whether the severity of defaults depend on the nature of the shocks underlying them.

The second challenge is the potential endogeneity of sovereign default. Most sovereign debt models assume that defaults result in a loss of a fraction of the country's output. The latter proxies for many possible costs of default, including disruptions to international trade (Rose, 2005), a domestic credit crunch (Sandleris, 2014), sanctions in international relations (Mitchener and Weidenmier, 2010) and reputational spill overs that depress FDI and other foreign capital inflows into the country (Arteta and Hale, 2008; Esteves and Jalles, 2016). However, countries do not usually stop paying their debts on a whim – defaults can be forced on them by large recessions, which sap their ability to collect

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<sup>1</sup> All these figures refer exclusively to defaults on external debt, i.e., debt incurred under foreign jurisdiction and, frequently, denominated in foreign currencies. For the historical prevalence of defaults on domestic debt see Reinhart and Rogoff (2011b).

taxes and repay their debts. In other words, defaults have a large endogenous component, because recessions are both a cause and consequence of defaults. Tomz and Wright (2007) found that at least one third of defaults since 1820 had occurred in “good times”, in the sense that they were not preceded by a recession. According to the authors, this underscores the importance of strategic motives for default (unwillingness to pay). Since the remaining two thirds were associated with below-trend GDP deviations, it is unclear whether defaults, on average, have any real penalty over and above the recessions that cause them in the first place. There is disagreement in the empirical literature on the scale of default costs. Some authors found large and persistent negative effects from defaults (De Paoli et al., 2009, Reinhart and Rogoff, 2009; Furceri and Zdzienicka, 2012; Gornemann, 2014; Kuvshinov and Zimmermann, 2019), while others do not find any costs or only short-term costs (Borensztein and Panizza, 2009; Levy-Yeyati and Panizza, 2011).

We contribute to this debate at two levels. First, we embrace the heterogeneity of defaults. Rather than attempting to only estimate an “average cost” of default, we will distinguish default costs by their main cause. Second, in order to overcome endogeneity, we use the narrative approach to try and distinguish between endogenous and plausibly exogenous defaults. The narrative approach has been used extensively in other contexts, such as identifying the effects of fiscal policy (Cloyne, 2013; Crafts and Mills, 2013, 2015; Ramey, 2011; Ramey and Shapiro, 1998; Ramey and Zubairy, 2018; Romer and Romer, 2010), monetary policy (Cloyne and Hürtgen, 2016; Lennard, 2018; Romer and Romer, 2004;) and banking crises (Jalil, 2015; Kenny et al., 2021). To our knowledge, we are the first to apply it to sovereign debt crises.

To apply this method, we read contemporary reports from creditor and international organizations and the specialized financial press such as the *Economist* and the *Financial Times*. Based on these sources we classify crises in seven categories. We then use the classification to code a dummy variable distinguishing between plausibly exogenous crises – such as those caused by external political disturbances – from more endogenous ones – e.g., driven by the economic cycle.

Our dataset includes 174 default episodes involving 50 sovereigns ranging from 1870 to 2010. In order to estimate the causal effects of sovereign debt crises, we estimate panel local projections models with fixed effects (Jordà, 2005), regressing various economic outcomes on an indicator of sovereign debt crises, using the exogenous dummy variable as an instrument. In our regressions, we also control for a number of possible confounders, such as

political instability and terms of trade shocks, which have been singled out as possible exogenous drivers of defaults for emerging nations.

Our estimates of the causal effect of crises averaged between 1.6 and 3.3% of pre-crisis GDP and, more importantly, we find that the effect was persistent. Indeed, we find that GDP only reverts to the pre-crisis level five years after the start of a default. These effects are in line with recent empirical evidence (Reinhart and Rogoff, 2009; Trebesch and Zabel, 2017; Kuvshinov and Zimmermann, 2019). However, these averages hide a large heterogeneity in outcomes across the seven types of default in which we classified the narrative evidence.

The rest of the paper is organized as follows. Section 2 restates the empirical challenges of estimating the economic costs of defaults and introduces our narrative approach. Section 3 describes the model estimated by local projections and discusses its results, both the average across countries and broken down by cause of debt crisis. Section 4 subjects the main results to a variety of robustness checks and Section 5 concludes.

## 2. Identifying Sovereign Debt Crises

### *A. The Identification Problem*

Identifying the macroeconomic effects of sovereign debt crises is challenging. Crises may not only affect but may be affected by the economy. Reverse causality will bias simple econometric estimates of the impact of sovereign debt crises on the macroeconomy. To illustrate, consider a simple model of the determinants of output:

$$y_{i,t} = \beta CRISIS_{i,t} + e_{i,t} \tag{1}$$

where the subscripts  $i$  and  $t$  index countries and time, respectively.  $y_{i,t}$  is output,  $CRISIS_{i,t}$  is a series of sovereign debt crises and  $e_{i,t}$  is an error term. This residual captures all other factors that affect output, such as monetary and fiscal policy. Now consider a model of the determinants of sovereign debt crises:

$$CRISIS_{i,t} = \lambda e_{i,t} + u_{i,t} \tag{2}$$

where  $u_{i,t}$  is an error term that captures determinants of  $CRISIS_{i,t}$  over and above  $e_{i,t}$ .

Equation (2) shows that crises might be determined by output shocks and other unrelated factors. These crises might be the one in three that occur in “good times” (Tomz and Wright, 2007).

Because crises are determined both by factors that are related and unrelated to output, simple estimation of equation (1) may lead to biased estimates of the parameter of interest,  $\beta$ . This can be seen by combining (1) and (2):

$$y_{i,t} = \beta[\lambda e_{i,t} + u_{i,t}] + e_{i,t} \tag{3}$$

Equation (3) highlights that some sovereign debt crises are likely to be correlated with the error term, which violates the Gauss-Markov assumption that  $Cov(CRISIS_{i,t}, e_{i,t}) = 0$ . The asymptotic bias is given by:

$$\text{plim}\hat{\beta} = \beta + \frac{Cov(CRISIS_{i,t}, e_{i,t})}{Var(CRISIS_{i,t})} \tag{4}$$

Equation (4) shows that the estimated parameter is equal to the true parameter plus the bias. It is reasonable to expect that negative output shocks to  $e_{i,t}$  raise the likelihood of crises, that is  $\lambda < 0$  and then  $Cov(CRISIS_{i,t}, e_{i,t}) < 0$ . If sovereign debt episodes have a negative impact on the macroeconomy ( $\beta < 0$ ), then estimation of equation (1) using OLS will overestimate the economic costs of defaults. However, it need not be so if, for example, debt restructurings relieve nations from unbearable debt burdens that dissuaded investment and capital inflows (Reinhart and Trebesch, 2016). Given this heterogeneity in the causes of crises, the direction of bias is uncertain. Furthermore, even if there is a bias, it may be quantitatively small if the association between debt crises and output shocks ( $\lambda$ ) is weak (Tomz and Wright, 2007). However, failing to tackle the bias will leave us unclear whether OLS estimates are too high, too low or about right.

## B. The Narrative Approach

In order to overcome the identification problem, we follow the narrative approach to identify a subset of crises  $z_{i,t} \subset CRISIS_{i,t}$  that are exogenous to domestic economic conditions ( $e_{i,t}$ ) and which we use as an instrument for  $CRISIS_{i,t}$ . To capture dynamic causal effects, we ensure that the instrument satisfies the following three conditions (Stock and Watson, 2018):

- (i)  $Cov(z_{i,t}, CRISIS_{i,t}) \neq 0$
- (ii)  $Cov(z_{i,t}, e_{i,t}) = 0$
- (iii)  $Cov(z_{i,t}, e_{i,t+h}) = 0$  for  $h \neq 0$

where  $h$  is the horizon. Condition (i) is the relevance condition, which states that the instrument should covary with  $CRISIS_{i,t}$ . Since the instrument is a subset of  $CRISIS_{i,t}$ , this should not be an issue as long as there are a sufficient number of exogenous crises. Condition (ii) is the contemporaneous exogeneity condition, which means that the instrument should not covary with the error term contemporaneously. Condition (iii) is the lead/lag exogeneity condition and requires that the instrument should not covary with past and future values of the error term. Together, conditions (ii) and (iii) imply that exogenous crises are not associated with past, present or future economic shocks.

In order to identify the subset of exogenous defaults, we analyse contemporary reports from newspapers, such as the *Economist* and the *Financial Times*, and from creditor organizations, such as the Corporation of Foreign Bondholders and the Foreign Bondholders Protective Council. Unfortunately, no single source provides the information for all countries at all times. Therefore, we incorporate as much information as possible, using judgement to weight various explanations. Furthermore, in a second stage, we cross-checked our classification against the available secondary literature and investigated any discrepancies between contemporary opinion about the origins of each crisis and its reconstruction by future authors. This step is mostly relevant for the earlier part of the sample. Many standard macroeconomic concepts and models were only introduced in the post-war which means that we had to interpret the language of the sources in accordance with these models. Since these cases required more interpretation on our part of the narrative account, we compared our classification to what specialists in the period or countries involved have written about the crises.



Before we describe our classification, it is important to acknowledge that other authors have addressed the endogeneity of output costs with different methods. In particular, some papers have resorted to GMM (Furceri and Zdzienicka, 2012; Esteves and Jalles, 2016), while Kuvshinov and Zimmermann (2019) deal with the endogeneity of the default decision by conditioning on observables using an inverse propensity score weighted regression adjustment (IPSWRA). Finally, while the narrative approach has not been applied to sovereign debt crises before, other identification strategies used in the literature are nested within it as special cases, such as focusing on centrally orchestrated moratoria (Reinhart and Trebesch, 2016) or on natural experiments, such as unexpected court rulings (Hébert and Schreger, 2017).

Table 1 summarizes our classification system. We consider two types of endogenous crises ( $N$ ), driven by aggregate demand ( $AD$ ) and aggregate supply ( $AS$ ) shocks.

Table 1. *A Classification of Sovereign Debt Crises*

Classification
<i>Endogenous (N)</i>
Aggregate demand shocks ( $AD$ )
Aggregate supply shocks ( $AS$ )
<i>Exogenous (X)</i>
Centrally orchestrated moratoria ( $CM$ )
Contagion ( $C$ )
Legal ( $L$ )
Political ( $P$ )
Terms of trade ( $T$ )
<i>Unclassified (U)</i>

*Notes:* This table presents a classification of sovereign debt crises.

*Aggregate demand shocks (AD)* can be a major cause of sovereign debt crises. This type of shock reduces both output and prices, which has negative implications for fiscal sustainability, impinging on growth, the real interest rate and the budget. An example of this type of crisis is the Argentinean default of 1890, which contemporary opinion described as caused by a credit boom: “everyone can see that the growth has to a very large extent been a forced and unhealthy growth. Reckless borrowing and reckless expenditure have been the order of the day both with the Government and with the people, and the readiness with which

European investors have responded to the never-ending appeals for new loans has done little credit to their intelligence. But the speculative bubble has now been pricked” (*The Economist*, 8 August 1890, p. 984).

*Aggregate supply shocks (AS)* reduce output and raise prices, which can lead to sovereign default. For example, Chile defaulted in 1961 as natural disasters inflicted “severe but not total damage ... upon the region’s [Chile] basic industry –agriculture” (*Financial Times*, 31 May 1960, p. 2) combined with labour unrest in the copper sector as “The companies are being pressed by workers who demand higher wages and a government which relies on copper for part of its revenue and demands a high rate of expansion in output” (*The Economist*, 19 August 1961, p. 742).

We include five classes of exogenous (*X*) debt crises or restructurings: centrally orchestrated moratoria (*CM*), contagion (*C*), legal (*L*), political (*P*) and the terms of trade (*T*).

- *Centrally orchestrated moratoria (CM)* are programmes of debt relief for a group of indebted countries.<sup>2</sup> There have been a number of debt relief initiatives throughout history, such as the 1931 Hoover Moratorium and the Baker and Brady plans of 1985 and 1989, respectively. To the extent that the relief is independent of country-specific economic conditions, these moratoria are exogenous.
- *Contagion (C)* occurs when a financial shock in one economy spills over into others. As a result, debt becomes more expensive and/or difficult to rollover. Whilst it is difficult to identify pure cases of contagion, the press was unanimous in attributing the Paraguayan and Uruguayan defaults of 2003 to the fallout from the 2001 Argentinean debt crises.
- *Legal (L)* disputes over sovereign defaults have been on the rise in recent decades (Schumacher et al., 2017) and some authors have used their outcomes as external sources of variation for explaining debt crises. For example, in 2001 Argentina defaulted on debt issued under New York law. Holdout creditors took the case to US courts, which ruled against Argentina, precipitating a technical default in 2014 (Hébert and Schreger 2017).<sup>3</sup>
- *Political (P)* events may be the cause of sovereign debt crises (Balkan, 1992; Brewer and Rivoli, 1990; Citron and Nickelsburg, 1987; Kohlscheen, 2007; Van Rijckeghem and Weder, 2009; Oosterlinck, 2016). This might occur when the current regime determines

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<sup>2</sup> Even though these cases do not count as debt crises, as such, moratoria can be effective solutions to restructure unsustainable debt burdens (Reinhart and Trebesch, 2016).

<sup>3</sup> This use of court rulings as an exogenous shock has been applied elsewhere, e.g., in the context of identifying the macroeconomic effects of fiscal policy (Cloyne 2013).

that the previous regime's loans should not be honoured because the debt is odious, having been raised or spent illegitimately or because of a change in ideology. The change in regime may happen through the democratic process or through military events, such as coups, revolutions and wars. This type of default occurred in Russia in 1918, when the official repudiation stated that all state loans raised by the "Governments of the Russian Landlords and Russian bourgeoisie, are hereby repudiated" (Fitch, 1918, p. 332). Using changes in ideology and military events as exogenous shocks follows a long tradition in the fiscal policy literature (Cloyne, 2013; Crafts and Mills, 2013, 2015; Ramey, 2011; Ramey and Shapiro, 1998; Ramey and Zubairy, 2018; Romer and Romer, 2010).

- *Terms of trade (T)* shocks may be another cause of sovereign debt crises, resulting from a general fall in the price of exports relative to imports or from the collapse (spike) in the price of one of the main commodities exported (imported). If these commodities are fiscally or economically important, then terms of trade shocks can undermine fiscal sustainability. For example, in 1898 a slump in the price of coffee pushed Venezuela into default (*Financial Times*, 14 September 1897, p. 2). The assumption that terms of trade are exogenous is "universally embraced by the related literature whether empirical or theoretical" (Schmitt-Grohé and Uribe, 2018).<sup>4</sup>

A final word about how we deal with cases with less-than-clear classification. Whenever there was joint evidence pointing to endogenous and exogenous causes, we conservatively classified the crises as endogenous. We show later in the paper (Section 3.E) that this classification is likely to bias down our estimates.<sup>5</sup> We finally grouped four cases for which there was no sufficient evidence to classify them either way in a category of unclassified (*U*).

### *C. Why Nations Default*

Much has been written about the causes of defaults with leading theoretical models of sovereign default emphasizing economic (Aguar and Gopinah, 2006; Arellano, 2008) and non-economic factors (Cuadra and Sapriza, 2008). The literature also traditionally distinguishes between situations of inability and unwillingness to pay, which aligns roughly with our classification of defaults as exogenous and endogenous to the business cycle.

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<sup>4</sup> See also Aghion et al. (2010) and Blattman et al. (2007).

<sup>5</sup> We also checked the robustness of our results against classification errors below in Section 4.B.

Table 2 shows the distribution of defaults by cause between 1870 and 2010, according to our classification. Political events (a case of “unwillingness to pay”) are the leading cause of default and account for 1 in 3 defaults. The political origins of sovereign debt crises are consistent with a large body of empirical and theoretical research (Balkan, 1992; Brewer and Rivoli, 1990; Citron and Nickelsburg, 1987; Cuadra and Sapriza, 2008; Kohlscheen, 2007; Van Rijckeghem and Weder, 2009). Other leading causes are shocks to aggregate demand and supply (both “inability to pay” situations), which together have contributed to a further third of defaults. The economic nature of these crises is also in line with a great deal of research (Arellano, 2008; Tomz and Wright, 2007). Exogenous terms of trade shocks were present in 1 in 5 defaults. Centrally orchestrated moratoria, contagion and legal crises have been less frequent. Overall, we classify 35.6% of defaults as endogenous, 61.5% as exogenous and 2.9% as unclassified. The significant share of endogenous crises suggests that simple OLS estimates of default costs could be materially biased. The evolution of endogenous, exogenous and unclassified defaults is plotted in Figure 1. One particularly clear pattern in the Figure is the clustering of exogenous crises around major international financial crises, such as 1873, 1890, 1929-33, 1982-83 and 1997, and the two world wars. Such coincidence indirectly validates our narrative approach. Given the worldwide nature of these crises, it is natural to expect to find more debt episodes around them that are exogenous to each country’s phase of the cycle.

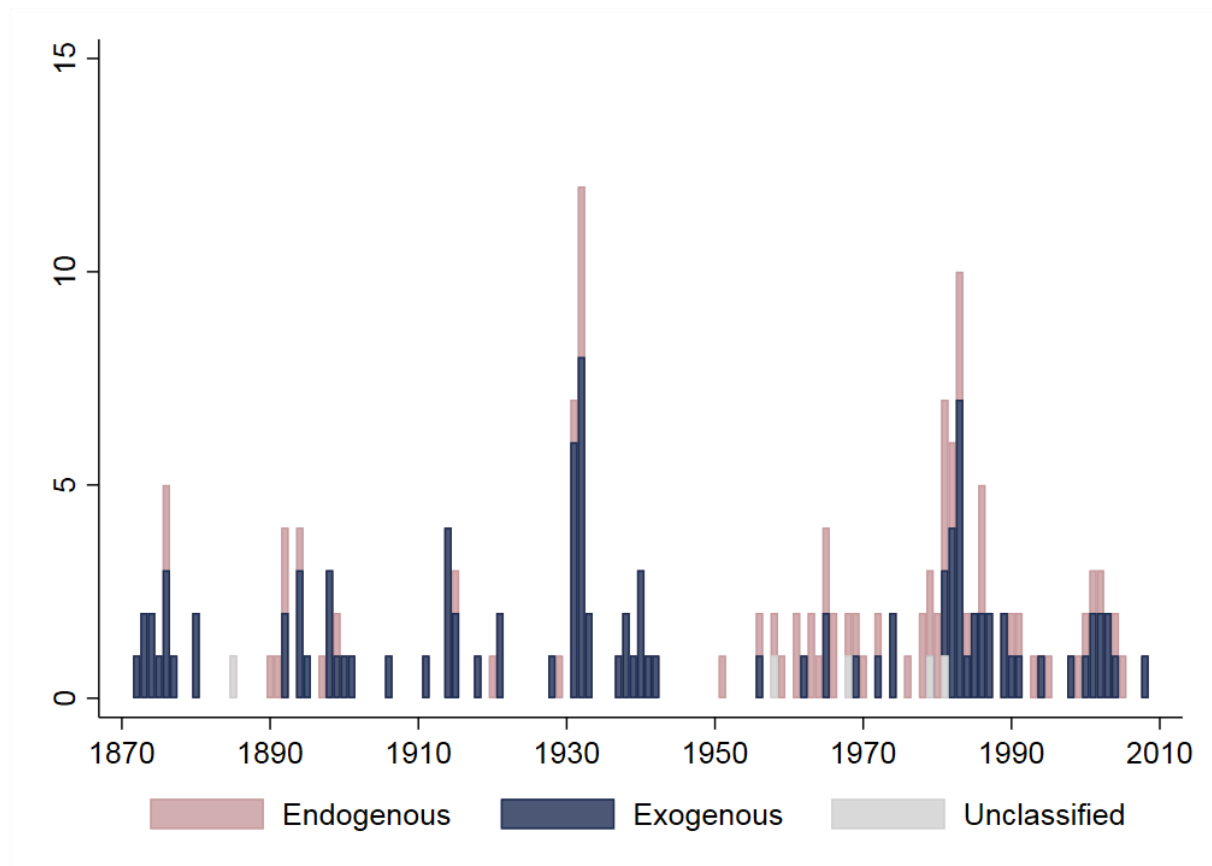
Table 2. *The Causes of Sovereign Debt Crises, 1870-2010*

	1870-1945	1946-2010	1870-2010
<i>Endogenous (N)</i>	21.3	47.9	35.6
Aggregate demand ( <i>AD</i> )	12.5	10.1	11.2
Aggregate supply ( <i>AS</i> )	8.8	37.8	24.4
<i>Exogenous (X)</i>	77.5	47.9	61.5
Centrally orchestrated moratoria ( <i>CM</i> )	1.9	2.1	2.0
Contagion ( <i>C</i> )	1.9	5.9	4.0
Legal ( <i>L</i> )	3.5	0	1.6
Political ( <i>P</i> )	46.7	21.3	33.0
Terms of trade ( <i>T</i> )	23.5	18.6	20.9
<i>Unclassified (U)</i>	1.3	4.3	2.9

*Notes:* This table summarizes the causes of sovereign debt crises in a sample of 50 defaulting countries between 1870 and 2010. Values in percentage of the number of debt crises.

*Source:* Reinhart and Rogoff (2011a) and the authors’ classification of debt episodes.

Figure 1. *A Decomposition of Sovereign Debt Crises, 1870-2010*



*Notes:* This figure shows a decomposition of sovereign debt crises into endogenous, exogenous and unclassified categories for 50 defaulting countries between 1870 and 2010.

*Sources:* Reinhart and Rogoff (2011a) and the authors' classification of debt episodes.

### 3. The Macroeconomic Effects of Sovereign Debt Crises

#### A. Model

In order to estimate the macroeconomic effects of sovereign debt crises, we estimate the following local projections model (Jordà, 2005):

$$y_{i,t+h} = \alpha_{i,h} + \gamma_{t,h} + \beta_h CRISIS_{i,t} + \theta_h W_{i,t} + e_{i,t+h} \quad (5)$$

The subscripts  $i$ ,  $t$  and  $h$  index countries, time and horizon, respectively.  $y_{i,t+h}$  is an economic outcome of interest.  $\alpha_{i,h}$  are country fixed effects that control for omitted variables that are constant over time but vary across countries.  $\gamma_{t,h}$  are time fixed effects that account for omitted variables that vary over time but are constant across countries.  $CRISIS_{i,t}$  is a

series of sovereign debt crises that equal 1 in the first year of a credit event and 0 otherwise. We define sovereign crises by their initial year because the duration of defaults is itself endogenous (Benjamin and Wright, 2009). Finally,  $W_{i,t}$  is a vector of controls.  $\beta_h$  is the treatment effect at each horizon.

As discussed before, because sovereign debt crises may be a cause, as well as a consequence, of economic outcomes, the estimate of the parameters of interest,  $\beta_h$ , could be biased. As a result, we estimate equation (5) using instrumental variables, where  $CRISIS_{i,t}$  is instrumented using the new series of exogenous defaults,  $z_{i,t}$ .

We also include a series of controls for two reasons: first, to increase efficiency (Stock and Watson, 2018). Second, we suspect that a number of the exogenous categories of default included in the instrument may only be exogenous conditional on controls, such as contagion ( $C$ ), political ( $P$ ) and the terms of trade ( $T$ ). While caused by plausibly random events, defaults of this kind may affect economic outcomes through channels other than sovereign debt, violating the exclusion restriction. For example, a change of government from democratic to autocratic may not only lead to default but may also reduce growth (Acemoglu et al., 2019). Therefore, it is important to control for these effects. Another way of saying this is to remember that some variables are potential confounders that might affect both the onset of a debt crisis and its outcomes. Failing to control for them would lead to omitted variable bias (Pearl, 2009). We describe the list of controls in the next section.

## *B. Data*

To investigate the economic impact of sovereign debt crises, we assembled a dataset of outcome, treatment and control variables for 50 defaulting economies since the nineteenth century. The variables, sources, description and coverage are detailed in Appendix A and summarized in Table 3.

The economic outcome variables are GDP, exports and imports in constant prices. We restrict ourselves to these key variables because of data limitations. Other potentially interesting outcomes such as the components of GDP, labour market quantities and fiscal measures have sparse coverage the further back in time we go.

Table 3. *Data Sources*

Variable	Source	Description	Coverage (%)
Real GDP	Bértola and Ocampo (2012), Bolt et al. (2018) and World Bank (2020)	\$ thousands (2011 prices)	84.46
Real GDP per capita	Barro and Ursúa (2008), Bértola and Ocampo (2012) and Bolt et al. (2018)	\$ (2011 prices)	87.45
Population	Bolt et al. (2018)	Thousands	87.76
Real imports	Federico and Tena-Junguito (2019), United Nations (2020), World Bank (2021)	\$ (2010 prices)	78.69
Real exports	Federico and Tena-Junguito (2019), United Nations (2020), World Bank (2021)	\$ (2010 prices)	79.73
Sovereign debt crises	Reinhart and Rogoff (2011a)	{0,1}	100
Contagion	Constructed from Mayer and Zignago (2011) and Reinhart and Rogoff (2011a)	Measures based on distance, contiguity, colonial relationships and common languages	100
Polity	Marshall et al. (2019)	-10 to 10	97.44
Terms of trade	Blattman et al. (2007), Federico and Tena-Junguito (2019), International Monetary Fund (2020a), United Nations (2020)	2012 = 100	86.16
Wars	Sarkees and Wayman (2010)	{0,1}, intra-state, inter-state and extra-state wars	100
Inflation crises	Reinhart and Rogoff (2011a)	{0,1}	100
Debt-GDP ratio	Reinhart and Rogoff (2011a), International Monetary Fund (2020b)	%	73.69
Independence	Reinhart and Rogoff (2011a)		100

*Notes:* This table details the data used in Section 3.

The treatment variable is based on the chronology of sovereign debt crises by Reinhart and Rogoff (2011a). This is the most up-to-date long-run chronology publicly available (see Appendix C). The authors define external debt crises as involving the “outright default on payment of debt obligations incurred under foreign legal jurisdiction, including nonpayment, repudiation, or the restructuring of debt into terms less favorable to the lender than in the original contract.”

As controls we include lags of the dependent and treatment variables, as well as current and lagged measures of debt-to-GDP, the log change in terms of trade, Polity scores, wars, and contagion. The first is included to capture the impact of differences in the pre-crisis debt burden on the economic consequences of defaults. Terms of trade can also have an independent impact on economic activity independently of precipitating an external debt crisis. Similar reasoning led us to include markers of institutional quality (Polity), political instability (wars) and contagion from debt crises in countries with particular economic relevance for each nation.

As our measure of contagion is a proxy, it deserves some discussion. This variable is included to control for the possible economic impact of spill overs in one country from defaults in other countries (even when those spill overs do not lead to a local default). As two potential channels of contagion are capital and trade flows, which are known to be highly correlated with distance (Frankel and Rose, 2002; Martin and Rey, 2004; Portes and Rey, 2005), we construct a measure based on distance from other defaults. Specifically,

$$Contagion_{i,t} = \sum_{j=1}^J \omega^{Distance_{i,j}} Default_{j,t} \text{ for } i \neq j \quad (6)$$

where  $Default_{j,t}$  is a dummy variable indicating whether country  $j$  is in default (Reinhart and Rogoff, 2011a),  $\omega$  is a discount factor that is set to 0.999, and  $Distance_{i,j}$  is the great circle distance between the capital cities of countries  $i$  and  $j$  (Mayer and Zignago, 2011). This measure has a number of useful properties: (i) if there are no crises,  $\sum_{j=1}^J Default_{j,t} = 0$ , then  $Contagion_{i,t} = 0$ ; (ii) the more crises, the higher  $Contagion_{i,t}$  is; (iii) crises that are near are associated with higher  $Contagion_{i,t}$  than those that are far; (iv)  $Contagion_{i,t}$  is a concave up decreasing function of distance, so that more local crises have a disproportionate impact compared to more distant crises. The discount factor is set so that  $Contagion_{i,t}$  does not decline to zero at short distances.

The sample period begins in 1870, when macroeconomic data becomes increasingly available, and ends in 2010, when the series of sovereign debt crises ends (Reinhart and Rogoff, 2011a). Where possible, we collect data several years before and after to allow us to include the leads and lags in equation (5). For countries that gained independence after 1870, the sample begins in the year of independence. Overall, the sample consists of 5,476 country-years.



### C. Relevance and Exogeneity

As mentioned, to estimate dynamic causal effects, an instrument must satisfy the relevance, contemporaneous exogeneity and lead/lag exogeneity conditions. In this section, we discuss the performance of the instrument along some of these dimensions.

*Instrument relevance:* A weak instrument that is poorly correlated with the endogenous regressor can bias two-stage least squares in the direction of ordinary least squares. In order to investigate the strength of our instrument, we report the Kleibergen and Paap (2006) and Montiel Olea and Pflueger (2013)  $F$ -statistic, which is robust to heteroscedasticity and autocorrelation.<sup>6</sup> The null hypothesis of a weak instrument is rejected for large values of this statistic (Montiel Olea and Pflueger, 2013). The  $F$ -statistic for our instrument is 7,492, which far exceeds the critical value of 23.1 (Montiel Olea and Pflueger, 2013). As expected, there is little risk of a weak instrument problem as the instrument is a subset of the endogenous regressor.

*Instrument exogeneity:* Even though it is not possible to test the exogeneity of an instrument in just identified models, a useful exercise is to investigate whether the endogenous and exogenous crises are predictable based on past information. We run two logit models of the form:

$$\ln \frac{p_{i,t}^c}{1 - p_{i,t}^c} = \alpha_i + \gamma_t + \sum_{k=1}^3 \varphi_k \Delta y_{i,t-k} + \sum_{k=1}^3 \phi_k \pi_{i,t-k} + u_{i,t} \quad (7)$$

where  $p_{i,t}^c$  is either the probability of an endogenous or exogenous crisis in country  $i$  at time  $t$ ,  $\alpha_i$  and  $\gamma_t$  are country and time fixed effects,  $\Delta y_{i,t-k}$  is lagged real GDP growth (calculated as the log first difference) and  $\pi_{i,t-k}$  is inflation (measured as a dummy variable that switches on if the annual inflation rate is 20% or higher (Reinhart and Rogoff, 2011a)).<sup>7</sup> The results are shown in Table 4. The endogenous series is highly predictable from lags of economic growth and inflation. A slump in output or a bout of inflation significantly raise the probability of

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<sup>6</sup> These tests are identical in the just identified case.

<sup>7</sup> We use this dummy variable because it is available for the full sample, whereas the level of inflation has more limited coverage.

default in the following year. The exogenous series, however, is not predictable. This evidence is consistent with the exogeneity of the instrumental variable.<sup>8</sup>

Table 4. *Predicting Endogenous and Exogenous Crises*

	Endogenous	Exogenous
<i>Real GDP growth</i>		
Lag		
1	-8.25 (2.71)	-2.31 (1.92)
2	-4.12 (2.90)	1.31 (2.29)
3	0.82 (2.07)	2.72 (2.34)
<i>Inflation</i>		
Lag		
1	1.80 (0.51)	-0.07 (0.42)
2	0.11 (0.57)	0.07 (0.48)
3	-0.77 (0.52)	-0.39 (0.45)
<i>F</i> -statistic	32.95	4.49
<i>N</i>	2,694	4,013

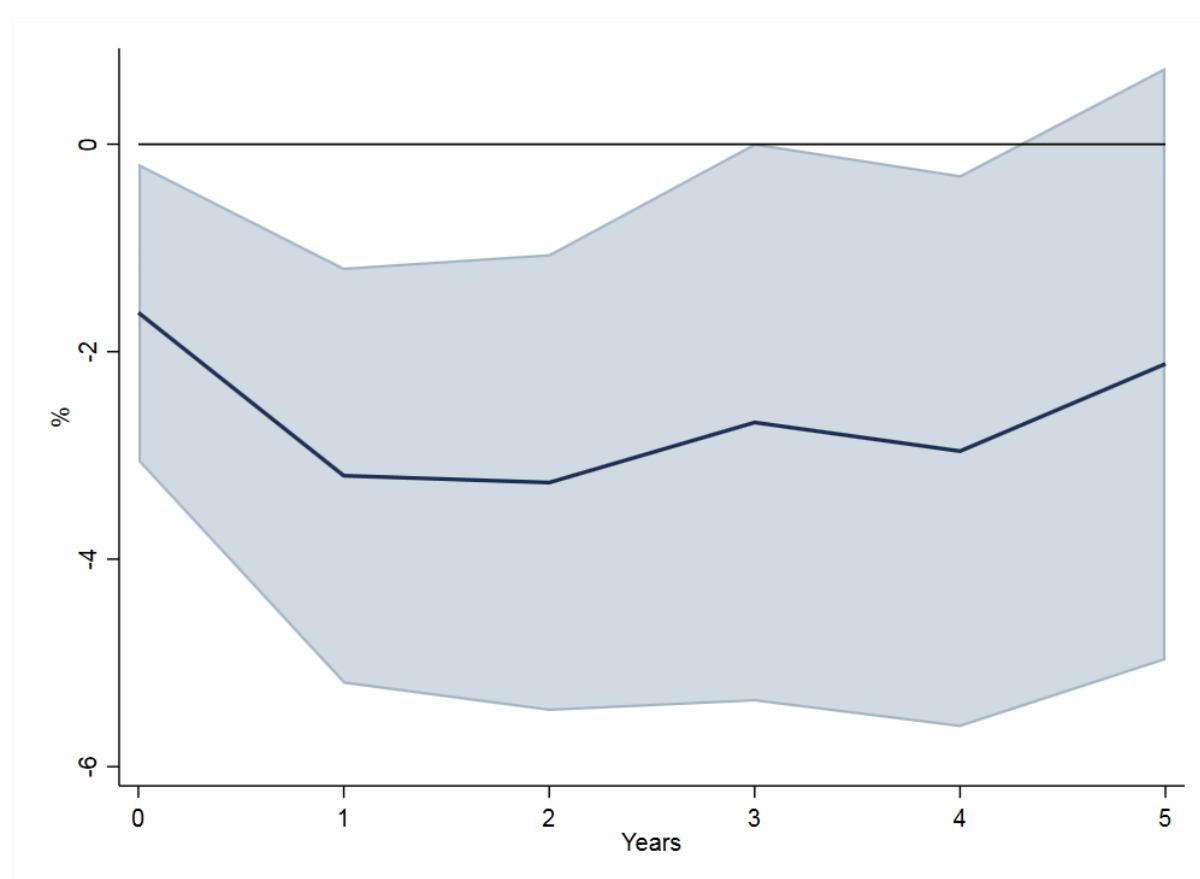
*Notes:* This table shows the results of a logit model of endogenous or exogenous defaults for 50 defaulting countries between 1870 and 2010 based on estimation of equation (7). Standard errors are in parentheses.

#### *D. Results*

Armed with the new instrument, we estimate equation (5) using two-stage least squares (2SLS) and with one lag of the control variables. The solid line of Figure 2 plots the estimated response of real GDP at year  $t + h$  to a default in year  $t$ . The shaded area represents the 90% confidence interval based on heteroskedasticity and autocorrelation consistent standard errors, where the maximum autocorrelation lag is set to  $h + 1$  (Tenreiro and Thwaites, 2016). In the aftermath of sovereign default there is a moderate but statistically significant contraction in economic activity. On impact, output falls by 1.6% ( $t = -1.9$ ), declining to 3.2% in year 1 ( $t = -2.6$ ) and to 3.3% in year two ( $t = -2.4$ ). However, the effect is no longer statistically different from zero by year five (see Table 5).

<sup>8</sup> This conclusion holds irrespective of the number of lags included in the model.

Figure 2. *The Effect of Sovereign Default on Real GDP*



Notes: This figure shows the response of real GDP to sovereign default based on 2SLS estimation of equation (5) and a sample of 50 defaulting countries between 1870 and 2010. The shaded area spans the 90% confidence interval based on robust standard errors.

Table 5. *The Effect of Sovereign Default on Economic Outcomes*

Specification	Horizon					
	0	1	2	3	4	5
(1) Baseline	-1.6 (0.9)	-3.2 (1.2)	-3.3 (1.3)	-2.7 (1.6)	-3.0 (1.6)	-2.1 (1.7)
(2) 1970-2010	-2.1 (1.1)	-3.5 (1.4)	-3.5 (1.6)	-4.1 (2.0)	-3.7 (2.1)	-3.9 (2.2)
(3) Exports	-2.1 (2.3)	-4.4 (2.9)	-0.6 (4.1)	-2.7 (4.1)	-6.4 (4.1)	-6.1 (4.6)
(4) Imports	-7.9 (2.6)	-11.6 (3.9)	-7.3 (4.3)	-8.6 (4.3)	-7.5 (4.5)	-6.6 (4.8)
(5) Banking crises $\pm$ 1 year of default	-0.5 (1.6)	-2.8 (2.2)	-3.5 (2.1)	-4.6 (2.0)	-6.6 (2.1)	-4.8 (2.7)
(6) OLS	-1.5 (0.7)	-2.3 (0.9)	-2.2 (1.2)	-1.9 (1.4)	-2.6 (1.6)	-2.8 (1.7)

Notes: This table shows the response of real GDP (columns 1, 2 5 and 6) or real trade flows (3 and 4) to sovereign default based on estimation of equation (5). Robust standard errors are in parentheses.

It is important to pause at this point and compare our estimates with those in the literature. On one hand, our results are larger than others that find little-to-no costs of defaults (Borensztein and Panizza, 2009; Levy-Yeyati and Panizza, 2011). On the other hand, our estimates are smaller than Furceri and Zdzienicka (2012), who calculate costs of 6% on impact and 10% in the medium run. Thus, our results are closer to Reinhart and Rogoff (2011b), who estimate a loss of 3% on impact, rising to 5% over the medium run, and Kuvshinov and Zimmermann (2019), who estimate a loss of 3% on impact, peaking at 4.4% after 5 years and reverting to trend thereafter. They are, nonetheless, higher than the unconditional estimates of Tomz and Wright (2007) who calculated a GDP deviation of approximately 1.5% from trend in the wake of external debt crises.

As most of these papers study the post-1970 period, we re-estimated the model for the shorter sample period of 1970 to 2010 to facilitate comparison with the literature. The estimates reported in Table 5 are closer to Kuvshinov and Zimmerman's (2019) as output falls by 2.1% ( $t = -2.0$ ) on impact and peaks at 4.1% after 3 years ( $t = -2.1$ ). It is fair to say that our results are on the lower end of those studies that find significantly negative and persistent effects of debt crises on GDP. The fact that our results are consistent with what other authors have found using different methods is indicative of the external validity of our approach over the longer time horizon. An open question is whether our lower estimates, especially on impact, are driven by our longer time horizon or by the methodology. Are defaults more disruptive of economic activity in the last half century (since 1970) than they were in the previous century? Or is our IV strategy, derived from narrative evidence, weighing less serious default episodes more heavily than other methods? As we will discuss in the next section, a further advantage of using the narrative method is the possibility of addressing the heterogeneity of the underlying causes of default.

Apart from comparing our results to the existing literature, we are also interested in investigating potential mechanisms for the aggregate economic loss following defaults. The literature on sovereign debt considers several mechanisms connecting crises in the sovereign sector to disruption to the whole economy. A first consequence of default could be a reduction in international trade, either because trade credit might tighten or because creditors punish defaulters with worse trade conditions (Antràs and Foley, 2015; Rose, 2005). A second mechanism operates through a spill over of increased sovereign risk (as measured by spreads) on access to outside finance by the corporate sector either through price rationing (Das et al., 2010; Kaminsky and Schmukler, 2002; Reinhart and Rogoff, 2004) or credit rationing (Arteta and Hale, 2008; Esteves and Jalles, 2016). Theory provides several

arguments for this mechanism. Bulow and Rogoff's (1989) model justifies this with the overall penalty imposed on the sovereign. Other authors do not assume a reputational penalty from default but emphasize instead balance-sheet effects (Broner and Ventura, 2010; Guembel and Sussman, 2009) or a negative revision of expectations about the growth potential post- default, in the context of a model with incomplete information (Andrade, 2009; Cole and Kehoe, 1998; Sandleris, 2014).

Although it is challenging to test these many mechanisms with historical data, we investigate two of them here. First, we check directly for trade retrenchment by re-estimating equation (5) substituting real trade flows for GDP as the dependent variable. The results are listed in Table 5 and plotted in Figure 3. We find a strong reaction of imports, which contract by 7.9% on impact, peak at -11.6% after one year, and revert to trend after four years. The decline in exports is weaker: -2.1% on impact and -6.1% after 5 years. However, unlike the response of imports, the fall in exports is not statistically significant at conventional levels. Default is not only associated with a contraction in trade, but with the current account reversal required to balance the external account and which is consistent with a number of other studies (Asonuma et al., 2016; Kuvshinov and Zimmermann, 2019). Consistent with these papers, the brunt of the adjustment is taken by imports. This squeeze could reflect either a fall in the value of final goods or intermediate inputs imported by consumers and firms. Even if export levels are not significantly affected by a debt crisis, there is abundant evidence that defaults harm the export sector (Borensztein and Panizza, 2010; Rose, 2005). If a default is followed by tighter credit constraints on firms (Arteta and Hale, 2008; Esteves and Jalles, 2016; Sandleris, 2014), they will have trouble acquiring imported inputs, reducing their efficiency, and production (Mendoza and Yue, 2012). Notwithstanding, it is unclear what the contribution of this efficiency effect is to the overall GDP contraction since we do not have data to test the other mechanisms proposed in the literature for our long sample.

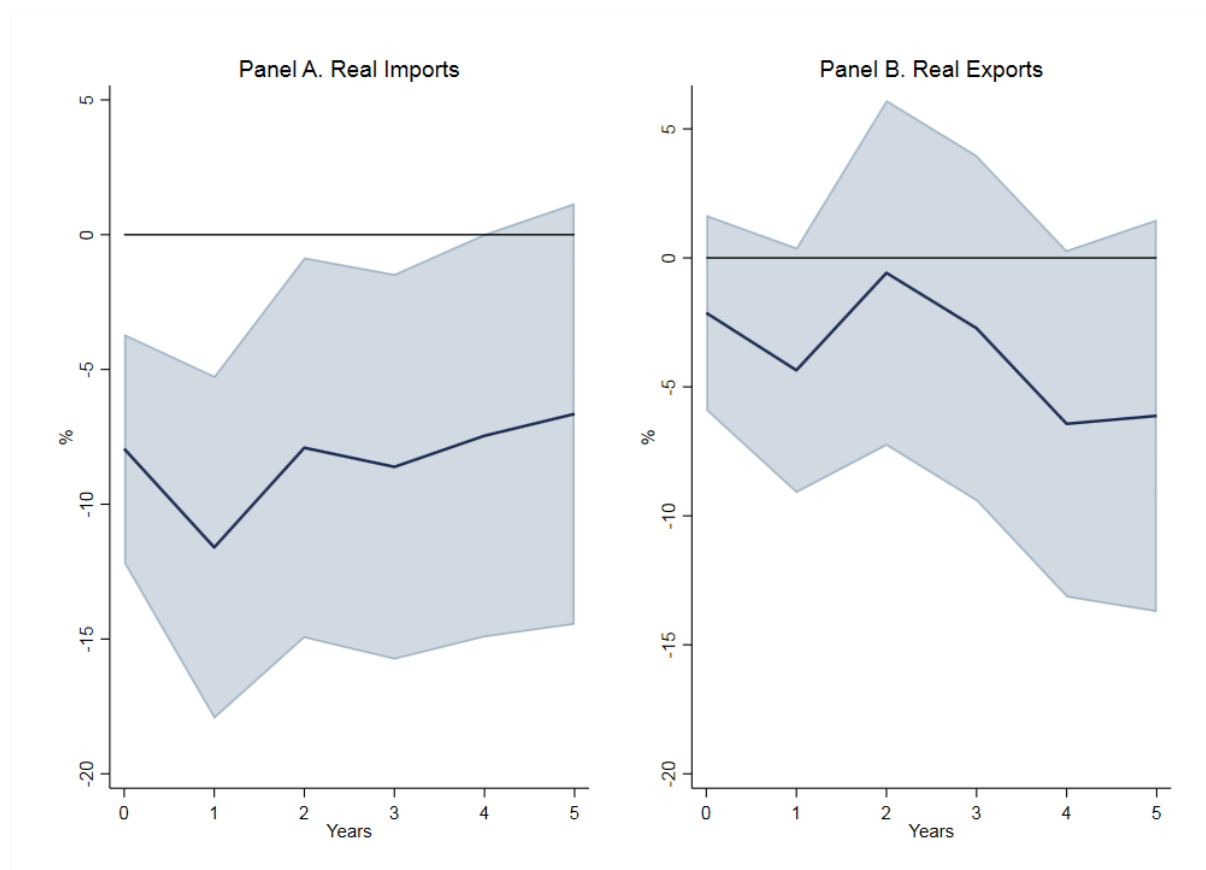
We then test for a second mechanism, domestic credit crunches, and this time indirectly. We investigate the relation between systemic banking crises and defaults. Kuvshinov and Zimmermann (2019) found that systemic banking crises that are triggered by defaults amplify the macroeconomic costs of debt crises.<sup>9</sup> We follow these authors in restricting our estimation sample to defaults occurring within a year of a systemic banking crisis. As we instrument with exogenous debt episodes, these estimates are not plagued by the endogeneity from the 'diabolic loop' that often ties in sovereigns and the domestic banking

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<sup>9</sup> They fail to find an amplification effect from currency or political crises.

sectors (Brunermeier et al., 2016). This is only an indirect test of the mechanism as we restrict ourselves to extreme cases of disruption resulting in systematic banking crises. Nevertheless, the impact on the estimates is large and significant. While the short run costs of defaults associated with systemic banking crises are smaller than in the baseline estimates, the impulses are larger in economic and statistical terms from year three, underscoring the concern that sovereign crises may destabilize the domestic financial sector.

Figure 3. *The Effect of Sovereign Default on International Trade*

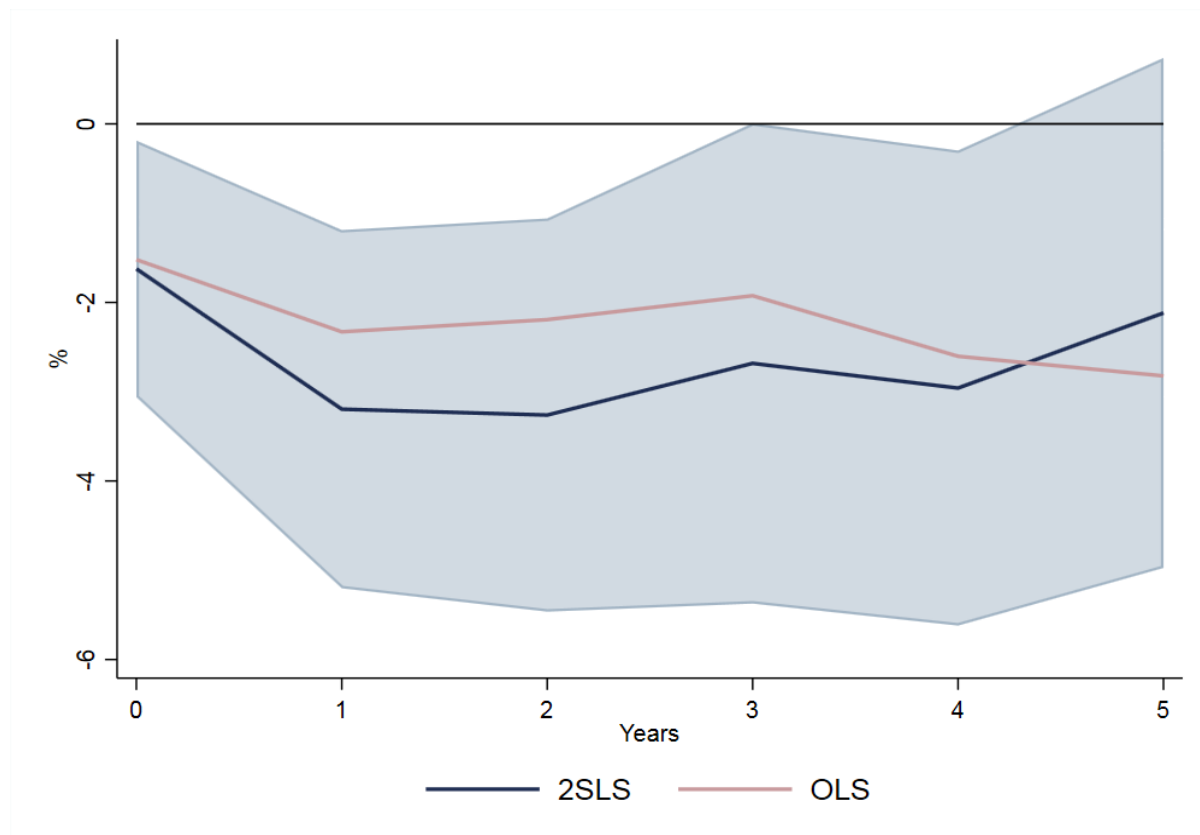


*Notes:* This figure shows the response of real imports and exports to sovereign default based on 2SLS estimation of equation (5) and a sample of 50 defaulting countries between 1870 and 2010. The shaded areas span the 90% confidence interval based on robust standard errors.

A major motivation of our narrative analysis is that the true cost of default is uncertain because of endogeneity. Therefore, a natural exercise is to compare the results of estimation of equation (5) by 2SLS and OLS. Figure 4 suggests that the qualitative result is the same, regardless of how the model is estimated: sovereign defaults lead to moderate and time-limited economic costs. However, the 2SLS point estimates are more negative at short horizons (see the last row in Table 5). The maximum difference between the two sets of estimates falls on year two when the 2SLS impulse response is larger by 1.1% of GDP. Why

are the OLS estimates smaller? One possible explanation that follows from Section 2.A is that not all defaults are alike. It is to this question of heterogeneity that we now turn.

Figure 4. *The Effect of Sovereign Default on Real GDP: 2SLS versus OLS Estimates*



*Notes:* This figure shows the response of real GDP to sovereign default based on estimation of equation (5) and a sample of 50 defaulting countries between 1870 and 2010. The navy line is the 2SLS estimates. The pink line is the OLS estimates. The shaded area spans the 90% confidence interval based on the baseline model and robust standard errors.

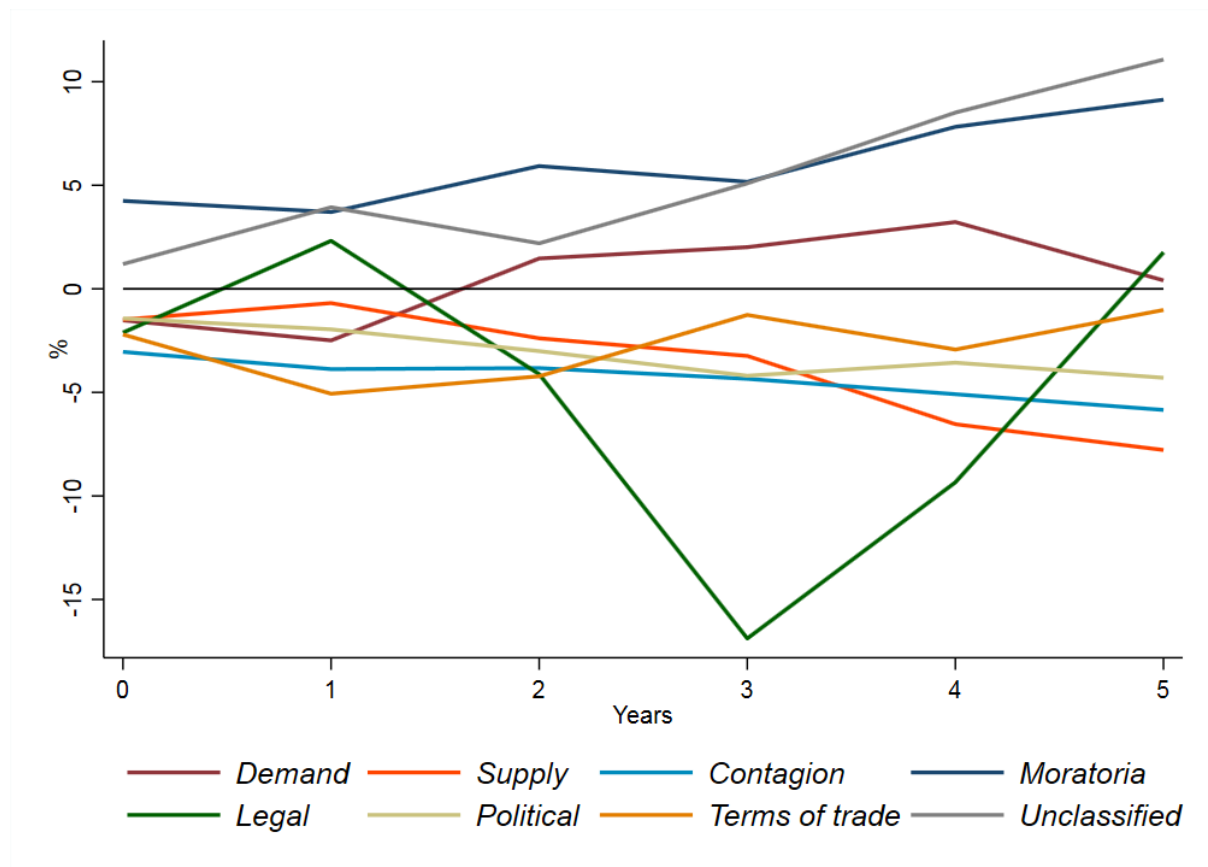
### *E. Does the Cause of the Crisis Matter?*

Sovereign debt episodes are costly. But are these costs contingent on the underlying driver of the default? For example, centrally orchestrated moratoria are not designed to inflict economic damage but to lighten the burden of debt. A natural starting point is to estimate a variant of equation (5) that disaggregates the various sub-categories of default on the right-hand side:

$$\begin{aligned}
y_{i,t+h} = & A_{i,h} + \Gamma_{t,h} + B_{1,h}AD_{i,t} + B_{2,h}AS_{i,t} + B_{3,h}C_{i,t} + B_{4,h}CM_{i,t} + B_{5,h}L_{i,t} + B_{6,h}P_{i,t} \\
& + B_{7,h}T_{i,t} + B_{8,h}U_{i,t} + \Theta_h W_{i,t} + \varepsilon_{i,t+h}
\end{aligned}
\tag{8}$$

We plot the estimates of the coefficients associated with these sub-categories in Figure 5.<sup>10</sup> Starting with endogenous crises, crises initiated after AD or AS shocks have the same immediate impact on GDP but differ markedly from year two. Whereas the path of GDP after AD-related crises goes back to trend or even reverts the initial losses, the aftermath of AS crises is consistently negative and possibly cumulative. As these shocks are endogenous, however, the results should be interpreted with caution.

Figure 5. *The Effect of Sovereign Default on Real GDP: Heterogeneity*



Notes: This figure shows the response of real GDP to sovereign default by cause based on OLS estimation of equation (8) and a sample of 50 defaulting countries between 1870 and 2010.

<sup>10</sup> The sum of these coefficients weighted by their relative frequency in the sample roughly adds up to the estimates of  $\beta_h$  in equation (5) for each horizon.



In terms of the exogenous crises, the most salient division is between debt restructurings initiated in the context of general moratoria and all other types of exogenous crises. As expected, moratoria have a consistently positive effect on economic activity, with output rising by 4.2% on impact and growing by 9.1% after 5 years.<sup>11</sup> Debt crises after legal events have a wide amplitude of effects at different horizons; however, the estimates are based on a very limited number of cases. All other types of exogeneous crises show a characteristic pattern of immediate and persistent negative impact, although the time pattern varies. Crises after terms of trade shocks, for instance, frontload economic costs relative to political crises where output losses build up over time. Interestingly, unclassified (*U*) defaults are typically associated with rising output.

Naturally, not all these disaggregated estimates are very precise because of small sub-sample sizes. Moreover, the impact of each type of episode in the estimate  $\beta_h$  of the effect in the main regression (5) is a conflation of the individual coefficients in equation (8) and the relative frequency of each type of episode in the sample. In Appendix B we derive a decomposition of the OLS estimates of  $\beta_h$  in equation (5) as a weighted-average of the cause-specific effects:

$$\begin{aligned} \beta_h = & B_{1,h} \frac{\overline{AD}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{2,h} \frac{\overline{AS}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{3,h} \frac{\overline{C}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{4,h} \frac{\overline{CM}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{5,h} \frac{\overline{L}_{i,t}}{\overline{CRISIS}_{i,t}} \\ & + B_{6,h} \frac{\overline{P}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{7,h} \frac{\overline{T}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{8,h} \frac{\overline{U}_{i,t}}{\overline{CRISIS}_{i,t}} + \vartheta_h \end{aligned} \quad (9)$$

where the weights are the cause-specific contribution to the frequency of defaults and  $\vartheta_h$  is a residual component that captures the effects of covariates in the model. In Figure 6 we show the contribution of each type of episode to the OLS coefficient in the main specification at different horizons. At short horizons, this decomposition shows that the larger share of the negative OLS coefficient is due to exogenous shocks (political and terms-of-trade). The contrarian effect of moratoria and AD shocks is also evident, although the later only from the second year. At longer horizons, however, the negative impact of crises initiated by AS shocks outweighs singlehandedly the positive effect of other causes and accounts for more than half of the size of the OLS estimate. This is the combined result of the persistent

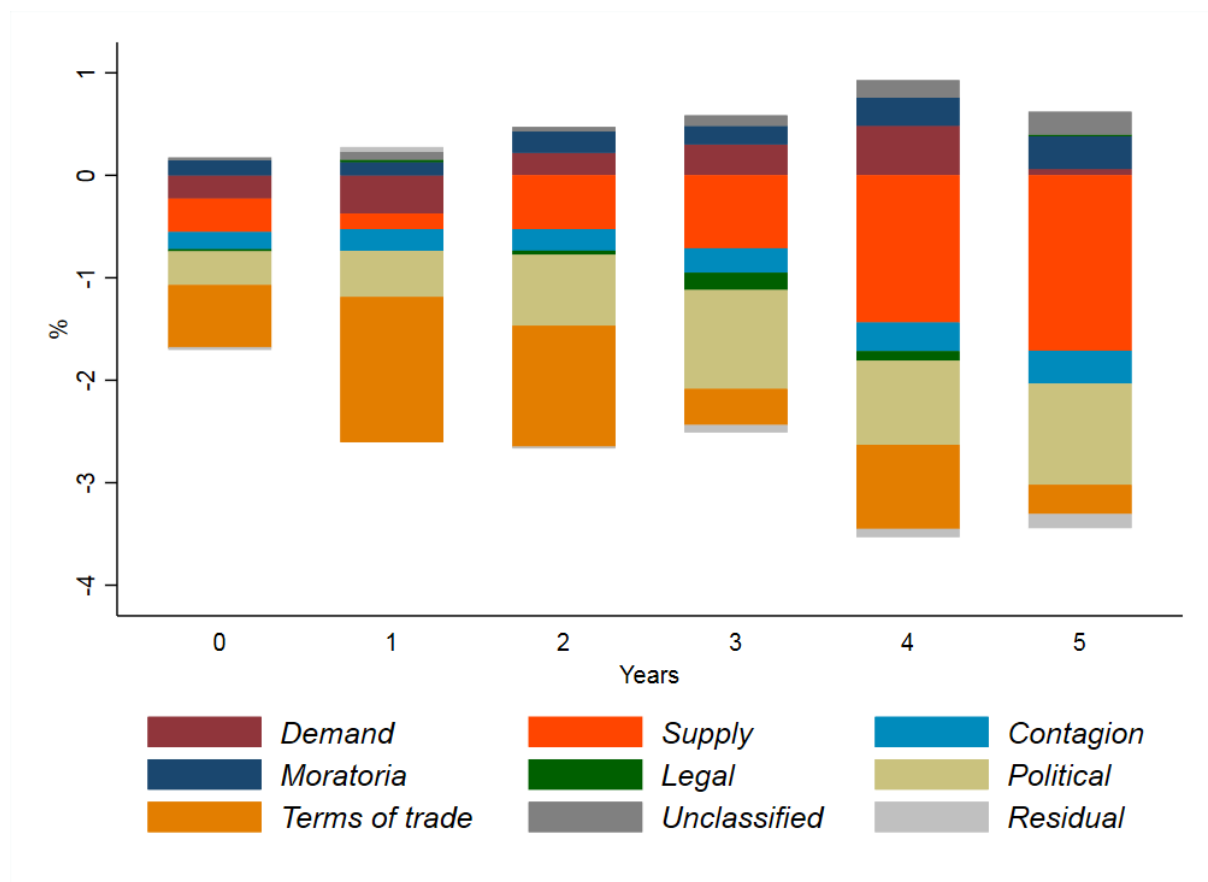
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<sup>11</sup> This result is similar to Reinhart and Trebesch (2016), who find that GDP per capita rises by 11% and 20% in emerging and advanced countries, respectively, five years after debt relief.

negative effect of these crises (Figure 5) and of their high frequency in the sample (Table 2).<sup>12</sup> Since we classified AS shocks as endogenous, this decomposition also explains why OLS estimates are smaller, in absolute value, than the 2SLS ones up to four years after a debt crisis (Figure 4).

In general, this decomposition underlines the heterogeneity of debt crises by their causes. Apart from moratoria, which have an expected positive impact, we find that crises initiated by pure demand shocks lead to relatively mild contractions, which are quickly reversed. Shocks that affect domestic productivity or that impair the competitiveness of the traded sector have more negative and persistent effects.

Figure 6. *Decomposition of the OLS Estimates of  $\beta_h$*



Notes: This figure shows a decomposition of the OLS estimates of  $\beta_h$  by cause based on equations (5), (8) and (9) and a sample of 50 defaulting countries between 1870 and 2010.

<sup>12</sup> In contrast, the contribution of rare events, such as crises driven by legal decisions, moratoria or contagion, is correspondingly small.

## 4. Robustness

In this section, we investigate whether our results are sensitive to sample composition, crisis classifications, crisis chronologies and control variables.

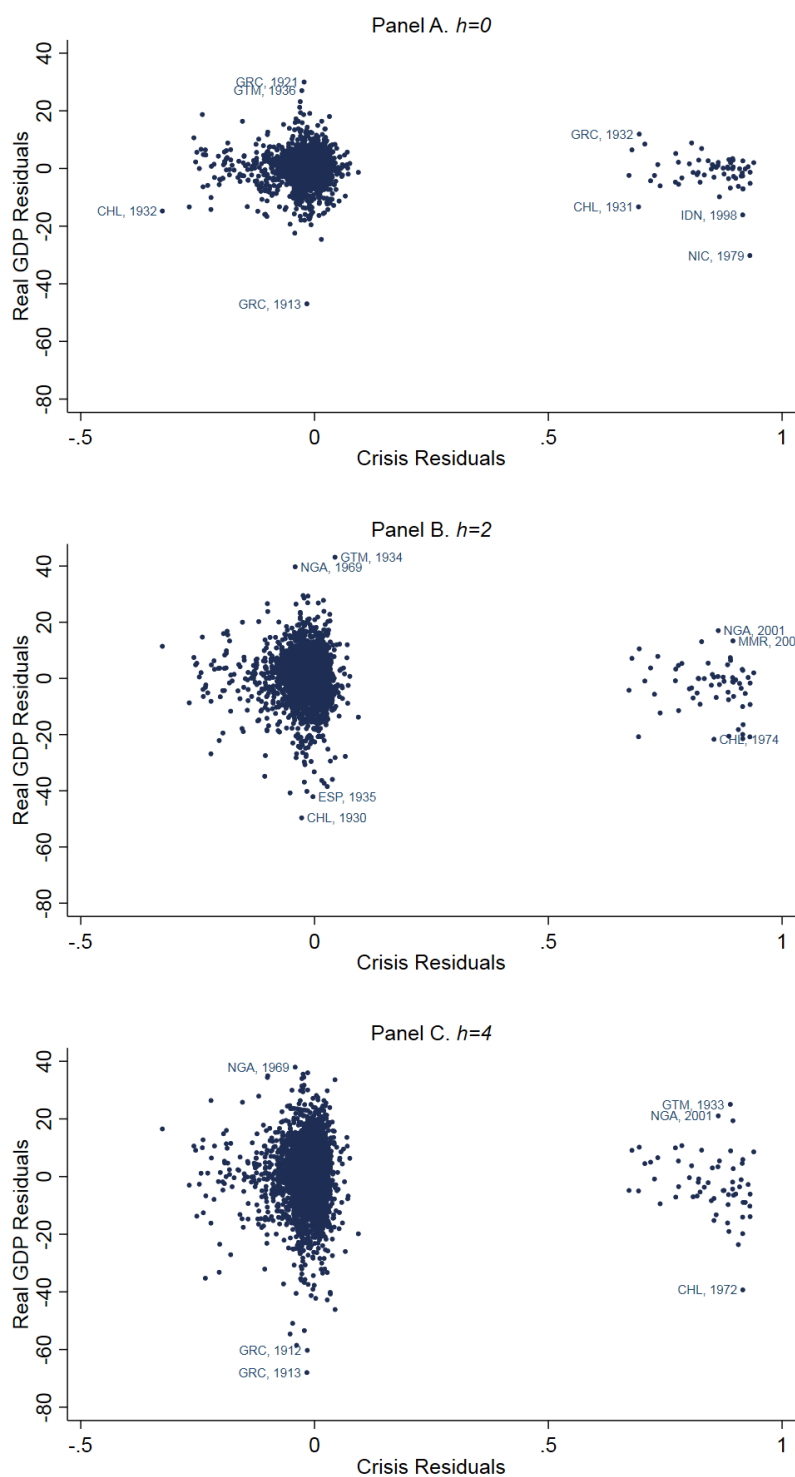
### A. Alternative Samples

A constant concern of econometric analysis is that the results are influenced by outliers. In large samples, such as ours, the risk is reduced but remains, nevertheless. In order to address this concern, we start by plotting the partial association between real GDP and the fitted values from the first stage regression at various horizons. We do so by estimating the following series of regressions (Romer and Romer, 2017):

1. Regress real GDP ( $y_{i,t+h}$ ) on the fixed effects,  $\alpha_{i,h}$  and  $\gamma_{t,h}$ , and the set of controls,  $W_{i,t}$ , for each horizon; extract the residuals.
2. Regress defaults ( $CRISIS_{i,t}$ ) on the instrument,  $z_{i,t}$ , the fixed effects,  $\alpha_{i,h}$  and  $\gamma_{t,h}$ , and the set of controls,  $W_{i,t}$ ; extract the predicted values.
3. Regress  $\widehat{CRISIS}_{i,t}$  on the fixed effects,  $\alpha_{i,h}$  and  $\gamma_{t,h}$ , and the set of controls,  $W_{i,t}$ , for each horizon; extract the residuals.

Figure 7 plots the results for horizons of 0, 2 and 4 years. The real GDP residuals from step 1 are plotted on the  $y$ -axis, the crisis residuals from step 3 are on the  $x$ -axis. As  $CRISIS_{i,t}$  is a dummy variable, the points are scattered around 0 and 1 along the  $x$ -axis. The largest outliers are labelled to help identify the most extreme times and places. In order to systematically explore how outliers might influence our results, we estimate a number of additional specifications. The first drops the outlier cases labelled in Figure 7. The second removes the common outlying countries: Chile, Greece and Nicaragua. The third and fourth omit potential outlying periods: the World Wars (1914-8 and 1939-45) and the Great Depression (1931-3). The results are reported in Table 6.

Figure 7. *Partial Association of Real GDP and Crises*



*Notes:* This figure shows the partial association between real GDP at horizons  $t + h$  and sovereign debt crises at time  $t$  based on variants of 2SLS estimation of equation (5) and a sample of 50 defaulting countries between 1870 and 2010.

Table 6. *The Effect of Sovereign Default on Real GDP: Alternative Samples*

Specification	Horizon					
	0	1	2	3	4	5
(1) Baseline	-1.6 (0.9)	-3.2 (1.2)	-3.3 (1.3)	-2.7 (1.6)	-3.0 (1.6)	-2.1 (1.7)
(2) Excluding outliers	-0.6 (0.6)	-1.9 (0.9)	-2.5 (1.1)	-2.6 (1.1)	-3.0 (1.3)	-2.4 (1.5)
(3) Excluding Chile, Greece and Nicaragua	-2.1 (0.9)	-3.0 (1.1)	-3.3 (1.2)	-2.3 (1.5)	-2.7 (1.5)	-2.1 (1.6)
(4) Excluding World Wars	-1.7 (0.9)	-3.3 (1.2)	-3.3 (1.4)	-2.8 (1.7)	-2.9 (1.7)	-2.2 (1.8)
(5) Excluding Great Depression	-1.8 (0.9)	-3.3 (1.2)	-3.7 (1.4)	-4.4 (1.6)	-4.4 (1.7)	-4.2 (1.8)

*Notes:* This table shows the response of real GDP to sovereign default based on 2SLS estimation of equation (5) and alternative samples. Robust standard errors are in parentheses.

Excluding extreme observations slightly reduces the estimated maximum effects. Excluding outlying countries and the World Wars does not alter the peak losses. Interestingly, excluding the Great Depression increases the estimated peak impact. This may be a confirmation of Lindert and Morton's (1989) conclusion that the costs of defaults are lower when countries default together, rather than in isolation. The 1930s had the largest concentration of defaults in the sample period.<sup>13</sup> Despite these variations, the impulse responses are statistically significant at most horizons in all cases.

### *B. Alternative Classifications*

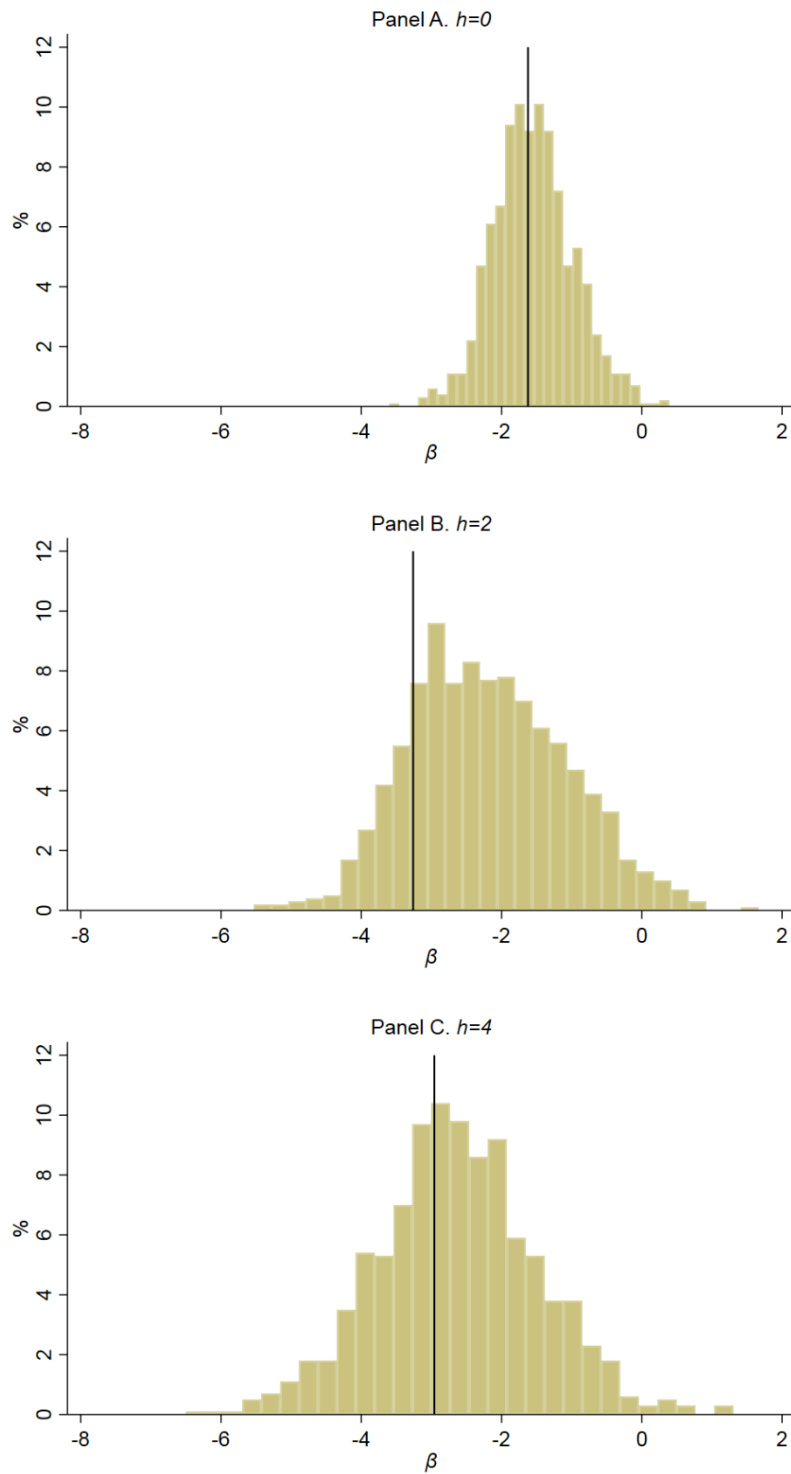
An important question is how accurate our classification is. One possibility is that we have misclassified an unknown subset of crises. As the classification is the basis for an instrumental variable, this should not be problematic as the 2SLS assumptions merely require that the instrument be correlated with the true shock, whereas if the classification is interpreted as a direct observation of the true shock, then OLS estimation requires that the correlation be perfect (Mertens and Ravn, 2013). In order to explore any bias associated with this possibility, we reclassify a random fraction of crises to be exogenous or endogenous.<sup>14</sup> Figure 8 shows the distribution of estimated impulse responses for horizons 0, 2 and 4. At years 0 and 4, the distribution is centred around the baseline estimates. While there is more

<sup>13</sup> Between 1930 and 1931, 42% of countries defaulted on their external debts.

<sup>14</sup> We start by assuming that the fraction of misclassified crises is uniformly distributed between 5% and 95%.

mass to the right of the baseline estimate at year 2, the vast majority of the estimates of  $\beta$  are negative.

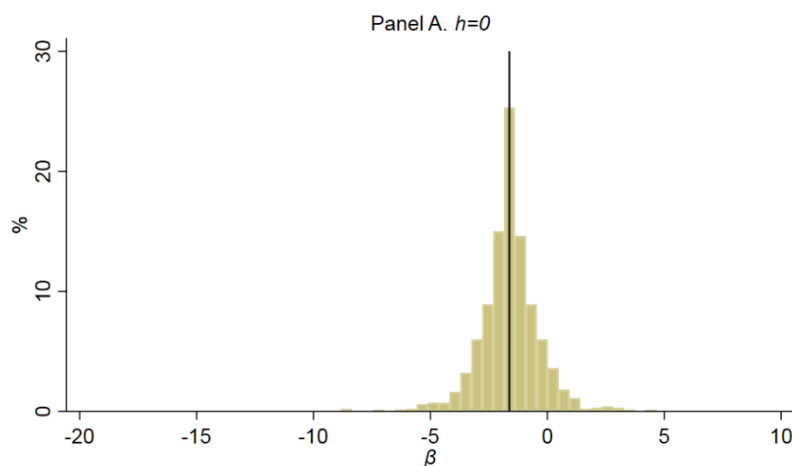
Figure 8. *The Distribution of  $\beta$ : Two-way Reclassification*

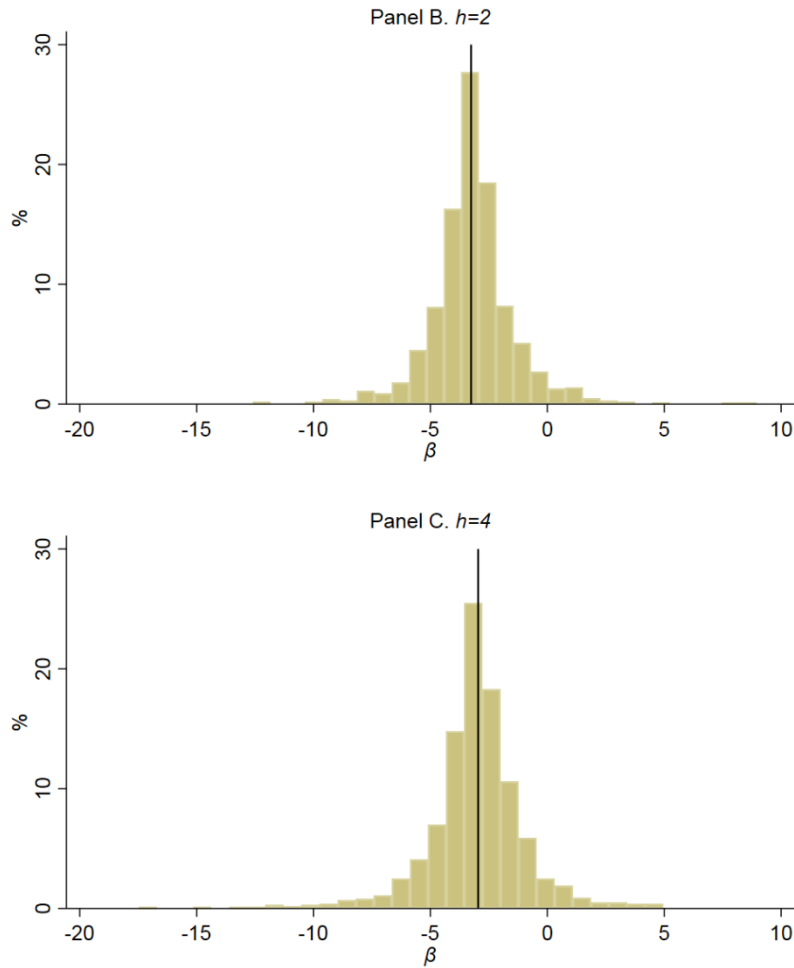


*Notes:* This figure shows the distribution of  $\beta$  from 1,000 runs, where  $z_{i,t}$  is randomly reclassified from endogenous to exogenous or from exogenous to endogenous, based on 2SLS estimation of equation (5) and a sample of 50 defaulting countries between 1870 and 2010. The black line is the baseline estimate.

Another possibility is that the possible errors in our classification are not random but systematic. It could be argued that by focusing on American and British sources, the reporting may be biased in favour of the creditors. This may translate into an inability to pay (an endogenous crisis) being misreported as an unwillingness to pay (an exogenous crisis). For example, it could be that the sovereign has suffered a drought, which has limited its ability to pay, but it is judged by reporters pandering to creditors in the United Kingdom and United States to be a political choice. This is an unlikely possibility for several reasons. First, sources such as the *Economist* and the *Financial Times* are independent (Butler and Freeman, 1968) and are a trusted news outlet for financial market participants who have an incentive to seek unbiased information (Hanna et al., 2020). Second, we have cross-referenced the accounts from primary sources with those from secondary sources. Third, Table 4 suggests that exogenous crises are unpredictable, while endogenous crises are highly predictable, which implies that the crises are not systematically misclassified. In any case, it is possible to bring further evidence to bear on the matter. Therefore, we randomly reclassify a random fraction of exogenous crises to be endogenous. Figure 9 shows that the distribution of impulse responses is once more centred on the baseline estimates.

Figure 9. *The Distribution of  $\beta$ : One-way Reclassification*





*Notes:* This figure shows the distribution of  $\beta$  from 1,000 runs, where  $z_{i,t}$  is randomly reclassified from exogenous to endogenous, based on 2SLS estimation of equation (5) and a sample of 50 defaulting countries between 1870 and 2010. The black line is the baseline estimate.

### *C. Alternative Chronologies*

A reliable record of crises is vital for the estimation of the macroeconomic effects of defaults. In the baseline model, we have used Reinhart and Rogoff's (2011a) latest chronology. In the process of our narrative analysis, however, we noticed a number of instances where the news of default was reported prior to the date recorded by Reinhart and Rogoff (2011a). Getting the timing right is important so that we do not miss the immediate aftermath of crises. As a result, we adjust the timing of  $CRISIS_{i,t}$  and  $z_{i,t}$  to match the narrative record. As shown in the second row of Table 7, the immediate impact of crises is slightly lessened by 0.1 percentage points. This makes sense: if the cost of crises rises over time, then dating some defaults too late will overestimate the effects.



Table 7. *The Effect of Sovereign Default on Real GDP: Alternative Chronologies*

Specification	Horizon					
	0	1	2	3	4	5
(1) Baseline	-1.6 (0.9)	-3.2 (1.2)	-3.3 (1.3)	-2.7 (1.6)	-3.0 (1.6)	-2.1 (1.7)
(2) Reinhart and Rogoff (2011a): Alternative timing	-1.5 (0.9)	-3.6 (1.2)	-4.1 (1.3)	-3.4 (1.4)	-3.5 (1.7)	-3.4 (1.8)
(3) Reinhart and Rogoff (2011a): 35 countries, 1870-1985	-1.9 (1.3)	-3.6 (1.7)	-3.7 (1.7)	-1.8 (2.3)	-2.1 (2.1)	-0.7 (2.2)
(4) Lindert and Morton (1989): 35 countries, 1870-1985	-4.0 (2.9)	-8.0 (4.0)	-8.4 (3.8)	-4.0 (4.9)	-4.7 (4.5)	-1.8 (4.7)
(5) Purcell and Kaufman (1993): 35 countries, 1870-1985	-2.6 (1.9)	-5.1 (2.5)	-5.2 (2.6)	-2.5 (3.3)	-3.0 (3.0)	-1.0 (3.1)
(6) Reinhart and Rogoff (2009): 35 countries, 1870-1985	-2.0 (1.4)	-4.0 (1.9)	-4.1 (2.0)	-1.9 (2.6)	-2.3 (2.4)	-0.8 (2.5)
(7) Suter (1992): 35 countries, 1870-1985	-3.4 (2.5)	-6.8 (3.5)	-6.8 (3.6)	-3.1 (4.6)	-3.6 (4.2)	-1.0 (4.3)

*Notes:* This table shows the response of real GDP to sovereign default based on 2SLS estimation of equation (5) and alternative samples. Robust standard errors are in parentheses.

There are other long-run, international series of sovereign defaults available: Reinhart and Rogoff (2009), Lindert and Morton (1989), Purcell and Kaufman (1993) and Suter (1992). As each cover different countries and times, we re-estimate equation (5) substituting the crises dates from Reinhart and Rogoff (2011a) with these alternatives over a common sample of 35 countries between 1870 and 1985 to enable comparison. For each run of the model,  $CRISIS_{i,t}$  changes but the instrument,  $z_{i,t}$ , is fixed. The third row of Table 7 reports the results for the baseline chronology for this restricted sample for comparison, the fourth row downwards summarizes the effects associated with the other series.

The estimates in the restricted sample imply larger peak losses. Comparing the first and third rows, the maximum GDP costs rise from 3.3 to 3.7%. However, these larger responses revert faster than in the baseline sample, with all point estimates insignificant from year three. The shorter horizon of the GDP contraction is common to the estimates based on the four alternative chronologies, but we find a large variation in estimated sizes. The peak drop in the four cases ranges from of 4.1% based on Reinhart and Rogoff (2009) to 8.4%

using Lindert and Morton (1989). Such wide amplitude is a cautionary tale for empirical studies that somehow truncate the relevant sample of defaulting countries.

#### *D. Alternative Control Variables*

An econometric model must strike a balance between possible omitted variable bias and the lost degrees of freedom arising from saturation. In this section, we investigate how variations in  $W_{i,t}$  influence our results. Specifically, we experiment with three changes to the vector of controls: dropping controls, adding new controls, and changing the definition of the only constructed control (contagion).

Table 8. *The Effect of Sovereign Default on Real GDP: Alternative Control Variables*

Specification	Horizon					
	0	1	2	3	4	5
(1) Baseline	-1.6 (0.9)	-3.2 (1.2)	-3.3 (1.3)	-2.7 (1.6)	-3.0 (1.6)	-2.1 (1.7)
(2) No controls	-3.3 (3.7)	-4.8 (3.7)	-4.5 (3.6)	-5.2 (3.6)	-6.3 (3.7)	-6.6 (3.6)
(3) 2 lags	-1.7 (0.9)	-3.2 (1.2)	-3.1 (1.4)	-2.6 (1.7)	-2.6 (1.7)	-2.0 (1.8)
(4) Contagion: $\omega = 0.975$	-1.7 (0.9)	-3.3 (1.2)	-3.3 (1.3)	-2.8 (1.6)	-3.1 (1.6)	-2.4 (1.8)
(5) Contagion: $\omega = 0.9999$	-1.9 (0.9)	-3.6 (1.2)	-3.8 (1.4)	-3.1 (1.7)	-3.3 (1.7)	-2.5 (1.8)
(6) Contagion: Common language	-1.7 (0.9)	-3.3 (1.2)	-3.3 (1.3)	-2.8 (1.6)	-3.1 (1.6)	-2.3 (1.7)
(7) Contagion: Contiguous	-1.6 (0.9)	-3.2 (1.2)	-3.2 (1.4)	-2.6 (1.7)	-2.9 (1.7)	-2.0 (1.8)
(8) Contagion: Past colonial relationship	-1.5 (0.9)	-3.1 (1.2)	-3.1 (1.4)	-2.6 (1.7)	-2.9 (1.6)	-2.1 (1.8)
(9) Controlling for other economic crises	-1.2 (0.9)	-2.6 (1.2)	-2.7 (1.3)	-2.2 (1.6)	-2.4 (1.6)	-1.4 (1.7)
(10) Banking crises $\pm 1$ year of default	-0.5 (1.6)	-2.8 (2.2)	-3.5 (2.1)	-4.6 (2.0)	-6.6 (2.1)	-4.8 (2.7)

*Notes:* This table shows the response of real GDP to sovereign default based on 2SLS estimation of equation (5) and a sample of 50 defaulting countries between 1870 and 2010. Robust standard errors are in parentheses.

In the last case we tried varying the weight on distance (to  $\omega = 0.975$  and  $\omega = 0.9999$ ) and substituting geographical distance with alternative proxies for distance, namely, sharing a

common official or primary language, a border or a past colonial relationship.<sup>15</sup> In models with extended controls, we experimented with increasing the lag length to 2 years, and with controlling for other crises (banking, currency, domestic debt and inflation), which could be twinned with sovereign debt crises and associated with economic fluctuations.<sup>16</sup>

The results are presented in Table 8. In almost all variants the point estimates are smaller. The two exceptions are when we set  $\omega = 0.9999$  and when we omit all controls. In most cases, the differences in point estimates relative to the baseline are small and the responses are economically and statistically significant in the aftermath of sovereign debt crises.

## 5. Conclusion

In this paper we provide new evidence on the aggregate costs of sovereign debt episodes. As others before us, we use a long dataset of defaults (1870-2010) explored with annual frequency across 50 nations. To our knowledge, we are the first to address the endogeneity of default crises using the narrative method. Our qualitative results are in line with other studies that find significant output costs from debt episodes reverting to trend after five years. The consistency of our results with what other authors have found using different methods is indicative of the external validity of our approach. Even so, our estimates are at the lower bound of other papers finding a significant impact of defaults on economic activity. Output loss starts at 1.6% of GDP on impact and accumulates to 3.3% two years after a default. One reason for our lower estimates is the time horizon. Most recent papers focus on the post-1970 period and we show that our impulse responses are closer to other estimates in this shorter period.

An advantage of the narrative approach is that it has fewer data requirements than alternative methods used in the literature to control for endogeneity of debt crises, such as GMM or synthetic controls. Consistent and reliable narrative sources are available from early on and allow us to extend the time coverage of our study as far back as the available series of real GDP for the 50 nations included in the sample. Taken at face value, our results imply that, on average, more recent defaults tend to have deeper costs than in earlier periods. We do not want to read too much into this, however, for two reasons. First, the confidence intervals

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<sup>15</sup> Values of  $\omega$  below 0.975 result in estimates of contagion that are zero for all countries. Values above 0.9999 result in no variation in contagion across countries.

<sup>16</sup> We decided against including these twin crises markers in the main specification to prevent an issue of bad controls (Angrist and Pischke, 2009).

of the two IRFs overlap, making it unclear whether the two sets of estimates are significantly different or not. Second, reconstructed GDP series for historical periods are probably more accurate at tracing growth trends than the amplitude of business cycles (Bolt et al., 2018). To the extent that historical GDP series may be excessively smooth at business cycle frequencies could bias down our estimates.

A second advantage is that the narrative approach allows us to explore the heterogeneity of debt episodes. As argued by others, coding crises as a binary variable can introduce measurement error (Romer and Romer, 2017). If the error is randomly distributed it can lead to attenuation bias. Our classification of defaults reveals a large heterogeneity of costs by the cause of default. Higher costs are associated with defaults initiated by shocks to the underlying productivity or competitiveness of an economy (domestic AS shocks, political crises, adverse terms of trade shocks). At the other extreme, countries that default as part of centrally orchestrated moratoria experience a significant boost to their output up to five years after, which is consistent with the debt relief aim of these programmes. Between these extremes, we found that defaults associated with aggregate demand shocks, legal causes or contagion have moderately negative or no effect on the path of GDP post default. Considering how difficult it is to identify pure cases of contagion, our negative estimates from this type of crisis are worthy of further investigation.

Two implications derive from the heterogeneity of outcomes that we identify. First, heterogeneity has an obvious bearing on policy. Recognizing that not all defaults are created alike can potentially improve the targeting of policy intervention ex post to smooth the impact or prevent spill overs from debt crises. Intervention following debt crises initiated by demand shocks is probably less warranted than in the case of defaults leading to more persistent consequences. Second, our results underscore that heterogeneity may be a greater obstacle to benchmarking the costs of defaults than endogeneity biases. This can be particularly relevant for theoretical contributions that calibrate the typical costs of defaults from particular episodes.

Exploring the heterogeneity of defaults also allow us to break down the sources of the potential endogeneity bias in the estimation of the aggregate costs of debt episodes. Other methods correct the bias but do not allow for its decomposition. We found an endogeneity bias averaging 0.4% of GDP over the five years after a default (with a maximum of 1% after two years). Contrary to expectation, OLS underestimates the aggregate costs of a default up to four years after each episode. Whereas it is intuitive to expect that endogenous defaults would bias the estimates up, the evidence is mixed. Our analysis shows that this is due to the

backloading of the impact of endogenous AS shocks. Unlike other shocks, crises initiated on the domestic supply side have cumulative effects that dominate the impulse response from year four after a default. Consistent with previous research, we find that default episodes that trigger subsequent banking crises have larger aggregate costs, underscoring the concern that debt crises can destabilise domestic banks and lead to credit crunches.

Finally, our results survive a number of robustness checks: sample composition, outliers, choice of covariates, classification of crises and chronologies of defaults. Perhaps the most interesting result from these is the significant impact of sample composition and the dating of defaults on the estimates. All else equal, restricting the sample to a group of 35 nations covered by all available chronologies increases the maximum GDP loss by 12% relative to our baseline results. This points to a moderate sample selection issue, as smaller defaults seem to have been left out of the restricted sample. To our surprise, differences in dating the crises within the restricted sample have a much larger impact on the estimates than the sample composition. Depending on the chronology, we found a uniform increase in the estimates ranging from 24% to 154% of our baseline results of the peak loss. Part of this discrepancy comes down to different definitions of defaults (Tomz and Wright, 2013). Arguably, more restrictive definitions will tend to censor episodes with moderate outcomes, biasing the resulting estimates up. But another fraction of the difference is due to timing issues. In our work with narrative sources, we came across a number of instances where the news of default was reported prior to the date recorded in the standard chronologies. Such cases are bound to influence the estimate of the impulse responses. First of all, missing the correct start of a default will probably overestimate the initial effect of the crisis. Second, by shifting the whole estimation horizon, these timing issues will also influence the whole impulse response. The expectation is that the responses at longer horizons will be biased down as the pre-default trend will incorrectly include the early stages of the crises. Further research on how to define and date sovereign debt episodes is needed.

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## Appendix A. Data

This appendix details the variables, coverage, sources and transformations for each country in the sample.

### **Algeria (DZA)**

*Real GDP*: 1970-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1970-2016 (Bolt et al., 2018)

*Population*: 1970-2016 (Bolt et al., 2018)

*Real imports*: 1960-2019 (World Bank, 2021)

*Real exports*: 1960-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1962-2018 (Marshall et al., 2019)

*Terms of trade*: 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1964-2010 (Reinhart and Rogoff, 2011)

*Independence*: 1962 (Reinhart and Rogoff, 2011)

### **Angola (AGO)**

*Real GDP*: 1975-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1975-2016 (Bolt et al., 2018)

*Population*: 1950-2016 (Bolt et al., 2018)

*Real imports*: 2000-18 (World Bank, 2021)

*Real exports*: 2000-18 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1975-2018 (Marshall et al., 2019)

*Terms of trade*: 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1995-2018 (International Monetary Fund, 2020b)

*Independence:* 1975 (Reinhart and Rogoff, 2011)

### **Argentina (ARG)**

*Real GDP:* 1875-1900 (Bértola and Ocampo, 2012). 1900-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita:* 1875-1900 (Bértola and Ocampo, 2012). 1900-2016 (Bolt et al., 2018)

*Population:* 1875-1900 (real GDP divided by real GDP per capita). 1900-2016 (Bolt et al., 2018)

*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)

*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)

*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity:* 1865-2018 (Marshall et al., 2019)

*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)

*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio:* 1865-2010 (Reinhart and Rogoff, 2011). 1866 linearly interpolated as missing

*Independence:* 1816 (Reinhart and Rogoff, 2011)

### **Austria (AUT)**

*Real GDP:* 1870-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita:* 1870-2016 (Bolt et al., 2018)

*Population:* 1870-2016 (Bolt et al., 2018)

*Real imports:* 1920-37 (Federico and Tena-Junguito, 2019). 1948-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)

*Real exports:* 1920-37 (Federico and Tena-Junguito, 2019). 1948-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)

*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity:* 1865-2018 (Marshall et al., 2019)

*Terms of trade:* 1948-62 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a)

*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1880-2010 (Reinhart and Rogoff, 2011). 1914-23 and 1938-47 missing

### **Bolivia (BOL)**

*Real GDP:* 1900-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1890-2016 (Bolt et al., 2018)  
*Population:* 1900-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1948-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019)  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a). 1939-61 missing  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1914-2010 (Reinhart and Rogoff, 2011). 1945-6 linearly interpolated as missing. 1953-69 missing  
*Independence:* 1825 (Reinhart and Rogoff, 2011)

### **Brazil (BRA)**

*Real GDP:* 1870-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1870-2016 (Bolt et al., 2018)  
*Population:* 1870-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1945-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019)  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a). 1950-61 missing

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Independence*: 1822 (Reinhart and Rogoff, 2011)

### **Central African Republic (CAF)**

*Real GDP*: 1955-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita*: 1955-2016 (Bolt et al., 2018)  
*Population*: 1955-2016 (Bolt et al., 2018)  
*Real imports*: 2009-2019 (World Bank, 2021)  
*Real exports*: 2009-2019 (World Bank, 2021)  
*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity*: 1960-2018 (Marshall et al., 2019)  
*Terms of trade*: 1962-2019 (International Monetary Fund, 2020a)  
*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio*: 1970-2018 (International Monetary Fund, 2020b)  
*Independence*: 1960 (Reinhart and Rogoff, 2011)

### **Chile (CHL)**

*Real GDP*: 1865-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita*: 1865-2016 (Bolt et al., 2018)  
*Population*: 1865-2016 (Bolt et al., 2018)  
*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity*: 1865-2018 (Marshall et al., 2019)  
*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)  
*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)



*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Independence:* 1818 (Reinhart and Rogoff, 2011)

### **China (CHN)**

*Real GDP:* 1890-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1890-1950 (Barro and Ursúa, 2008). 1950-2016 (Bolt et al., 2018)  
*Population:* 1890-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019)  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1982-2009 (Reinhart and Rogoff, 2011)

### **Colombia (COL)**

*Real GDP:* 1870-1900 (Bértola and Ocampo, 2012). 1900-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1870-1900 (Bértola and Ocampo, 2012). 1900-2016 (Bolt et al., 2018)  
*Population:* 1870-1900 (real GDP divided by real GDP per capita). 1900-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019)  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1899-2010 (Reinhart and Rogoff, 2011)  
*Independence:* 1819 (Reinhart and Rogoff, 2011)

### **Costa Rica (CRI)**

*Real GDP:* 1920-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1920-2016 (Bolt et al., 2018)  
*Population:* 1900-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019)  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1900-2010 (Reinhart and Rogoff, 2011). 1974 linearly interpolated as missing  
*Independence:* 1838 (Reinhart and Rogoff, 2011)

### **Côte d'Ivoire (CIV)**

*Real GDP:* 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1950-2016 (Bolt et al., 2018)  
*Population:* 1950-2016 (Bolt et al., 2018)  
*Real imports:* 2008-19 (World Bank, 2021)  
*Real exports:* 2008-19 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1960-2018 (Marshall et al., 2019)  
*Terms of trade:* 1962-2019 (International Monetary Fund, 2020a)  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1970-2018 (International Monetary Fund, 2020b)  
*Independence:* 1960 (Reinhart and Rogoff, 2011)

### **Dominican Republic (DOM)**

*Real GDP:* 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1950-2016 (Bolt et al., 2018)  
*Population:* 1950-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019). 1914-24 missing  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1914-2010 (Reinhart and Rogoff, 2011). 1953-60 missing. 1963-5 linearly interpolated as missing  
*Independence:* 1844 (Reinhart and Rogoff, 2011)

### **Ecuador (ECU)**

*Real GDP:* 1900-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1900-2016 (Bolt et al., 2018)  
*Population:* 1900-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019)

*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio:* 1914-2010 (Reinhart and Rogoff, 2011)

*Independence:* 1830 (Reinhart and Rogoff, 2011)

### **Egypt (EGY)**

*Real GDP:* 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita:* 1950-2016 (Bolt et al., 2018)

*Population:* 1950-2016 (Bolt et al., 2018)

*Real imports:* 1960-2018 (World Bank, 2021)

*Real exports:* 1960-2018 (World Bank, 2021)

*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity:* 1922-2018 (Marshall et al., 2019)

*Terms of trade:* 1865-1949 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)

*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio:* 1865-2010 (Reinhart and Rogoff, 2011). 1944-69 missing

### **El Salvador (SLV)**

*Real GDP:* 1920-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita:* 1920-2016 (Bolt et al., 2018)

*Population:* 1900-2016 (Bolt et al., 2018)

*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1965-2019 (World Bank, 2021)

*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1965-2019 (World Bank, 2021)

*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity:* 1865-2018 (Marshall et al., 2019)

*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio:* 1914-63 and 1970- 2010 (Reinhart and Rogoff, 2011). 1963-70 (International Monetary Fund, 2020b)

*Independence:* 1838 (Reinhart and Rogoff, 2011)

### **Germany (DEU)**

*Real GDP:* 1865-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita:* 1865-2016 (Bolt et al., 2018)

*Population:* 1865-2016 (Bolt et al., 2018)

*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1948-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)

*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1948-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)

*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity:* 1868-2018 (Marshall et al., 2019). 1949-1989 West Germany. 1945-8

*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio:* 1880-2010 (Reinhart and Rogoff, 2011). 1914-24 and 1939-50 missing

### **Ghana (GHA)**

*Real GDP:* 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita:* 1950-2016 (Bolt et al., 2018)

*Population:* 1950-2016 (Bolt et al., 2018)

*Real imports:* 2006-2019 (World Bank, 2021)

*Real exports:* 2006-2019 (World Bank, 2021)

*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity:* 1960-2018 (Marshall et al., 2019)

*Terms of trade:* 1962-2019 (International Monetary Fund, 2020a)

*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1952-62 (Reinhart and Rogoff, 2011). 1962-2018 (International Monetary Fund, 2020b)  
*Independence:* 1957 (Reinhart and Rogoff, 2011)

### **Greece (GRC)**

*Real GDP:* 1865-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1865-2016 (Bolt et al., 2018)  
*Population:* 1865-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1951-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1951-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019). 1916-9 missing  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1865-2010 (Reinhart and Rogoff, 2011). 1914-8 and 1940-9 missing  
*Independence:* 1829 (Reinhart and Rogoff, 2011)

### **Guatemala (GTM)**

*Real GDP:* 1920-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1920-2016 (Bolt et al., 2018)  
*Population:* 1900-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019)

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1922-50 (Reinhart and Rogoff, 2011). 1950-2018 (IMF, 2020). 1926 linearly interpolated as missing

*Independence*: 1838 (Reinhart and Rogoff, 2011)

### **Honduras (HND)**

*Real GDP*: 1920-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1920-2016 (Bolt et al., 2018)

*Population*: 1900-2016 (Bolt et al., 2018)

*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)

*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1953-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019). 1907, 1912, 1919 and 1924 linearly interpolated as missing

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1914-50 (Reinhart and Rogoff, 2011). 1950-2018 (International Monetary Fund, 2020b). 1958 linearly interpolated as missing

*Independence*: 1838 (Reinhart and Rogoff, 2011)

## **Hungary (HUN)**

*Real GDP*: 1920-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020). 1921-3 and 1943-5 linearly interpolated as missing

*Real GDP per capita*: 1920-2016 (Bolt et al., 2018)

*Population*: 1920-2016 (Bolt et al., 2018)

*Real imports*: 1920-38 (Federico and Tena-Junguito, 2019). 1958-91 (United Nations, 2020). 1991-2019 (World Bank, 2021)

*Real exports*: 1920-38 (Federico and Tena-Junguito, 2019). 1958-91 (United Nations, 2020). 1991-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019). 1944 and 1956 linearly interpolated as missing

*Terms of trade*: 1920-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1989-2018 (International Monetary Fund, 2020b)

*Independence*: 1918 (Reinhart and Rogoff, 2011)

## **India (IND)**

*Real GDP*: 1884-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1884-2016 (Bolt et al., 2018)

*Population*: 1865-2016 (Bolt et al., 2018)

*Real imports*: 1946-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)

*Real exports*: 1946-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1950-2018 (Marshall et al., 2019)

*Terms of trade*: 1947-1962 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1865-2010 (Reinhart and Rogoff, 2011)

*Independence*: 1947 (Reinhart and Rogoff, 2011)



## **Indonesia (IDN)**

*Real GDP*: 1865-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1865-1941 and 1949-2016 (Bolt et al., 2018). 1941-9 (Barro and Ursúa, 2008)

*Population*: 1865-2016 (Bolt et al., 2018)

*Real imports*: 1960-2019 (World Bank, 2021)

*Real exports*: 1960-2019 (World Bank, 2021)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1945-2018 (Marshall et al., 2019)

*Terms of trade*: 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1972-2018 (International Monetary Fund, 2020b)

*Independence*: 1949 (Reinhart and Rogoff, 2011)

## **Italy (ITA)**

*Real GDP*: 1865-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1865-2016 (Bolt et al., 2018)

*Population*: 1865-2016 (Bolt et al., 2018)

*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1948-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)

*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1948-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019)

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1948-62 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1865-2010 (Reinhart and Rogoff, 2011)

## **Japan (JPN)**

*Real GDP*: 1870-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1870-2016 (Bolt et al., 2018)

*Population*: 1865-2016 (Bolt et al., 2018)

*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1948-70, 2019 (United Nations, 2020). 1970-2018 (World Bank, 2021)

*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1948-70, 2019 (United Nations, 2020). 1970-2018 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019). 1945-51 missing

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1951-62 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a). 1950 linearly interpolated as missing

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1872-2010 (Reinhart and Rogoff, 2011). 1882 linearly interpolated as missing. 1940-52 missing

## **Kenya (KEN)**

*Real GDP*: 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1950-2016 (Bolt et al., 2018)

*Population*: 1950-2016 (Bolt et al., 2018)

*Real imports*: 1960-2019 (World Bank, 2021)

*Real exports*: 1960-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1963-2018 (Marshall et al., 2019)

*Terms of trade*: 1958-1962 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1963-2018 (International Monetary Fund, 2020b)

*Independence*: 1963 (Reinhart and Rogoff, 2011)

## **Mexico (MEX)**

*Real GDP*: 1895-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1895-2016 (Bolt et al., 2018)

*Population*: 1870-2016 (Bolt et al., 2018)

*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)

*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019)

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1917-1950 (Reinhart and Rogoff, 2011). 1950-2018 (International Monetary Fund, 2020b). 1946, 1968-9 and 1981 linearly interpolated as missing

*Independence*: 1821 (Reinhart and Rogoff, 2011)

## **Morocco (MAR)**

*Real GDP*: 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1950-2016 (Bolt et al., 2018)

*Population*: 1950-2016 (Bolt et al., 2018)

*Real imports*: 1949-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)

*Real exports*: 1949-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019)

*Terms of trade*: 1949-62 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1965-2010 (International Monetary Fund, 2020b)

*Independence*: 1956 (Reinhart and Rogoff, 2011)

### **Myanmar (MMR)**

*Real GDP*: 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1950-2016 (Bolt et al., 2018)

*Population*: 1900-2016 (Bolt et al., 2018)

*Real imports*: 2010-2018 (World Bank, 2021)

*Real exports*: 2010-2018 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1948-2018 (Marshall et al., 2019)

*Terms of trade*: 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2008 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1970-2018 (International Monetary Fund, 2020b). 1981-8 missing. 1995-7 linearly interpolated as missing

*Independence*: 1948 (Reinhart and Rogoff, 2011)

### **Nicaragua (NIC)**

*Real GDP*: 1920-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1920-2016 (Bolt et al., 2018)

*Population*: 1900-2016 (Bolt et al., 2018)

*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)

*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019). 1926-7 linearly interpolated as missing

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1914-1997 (Reinhart and Rogoff, 2011). 1997-2018 (International Monetary Fund, 2020b). 1946-69 missing

## **Nigeria (NGA)**

*Real GDP*: 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1950-2016 (Bolt et al., 2018)

*Population*: 1950-2016 (Bolt et al., 2018)

*Real imports*: 1981-2018 (World Bank, 2021)

*Real exports*: 1981-2018 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1960-2018 (Marshall et al., 2019)

*Terms of trade*: 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1968-2018 (International Monetary Fund, 2020b)

*Independence*: 1960 (Reinhart and Rogoff, 2011)

## **Panama (PAN)**

*Real GDP*: 1906-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1906-2016 (Bolt et al., 2018)

*Population*: 1900-2016 (Bolt et al., 2018)

*Real imports*: 1906-38 (Federico and Tena-Junguito, 2019). 1960-2018 (World Bank, 2021)

*Real exports*: 1906-38 (Federico and Tena-Junguito, 2019). 1948-60 (United Nations, 2020). 1960-2018 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1903-2018 (Marshall et al., 2019)

*Terms of trade*: 1906-38 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1914-2009 (Reinhart and Rogoff, 2011). 1917, 1922, 1977 and 1979 linearly interpolated as missing

*Independence*: 1903 (Reinhart and Rogoff, 2011)

## **Paraguay (PRY)**

*Real GDP*: 1939-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1939-2016 (Bolt et al., 2018)

*Population*: 1900-2016 (Bolt et al., 2018)

*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (World Bank, 2021)

*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019)

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1970-2010 (International Monetary Fund, 2020b)

*Independence*: 1811 (Reinhart and Rogoff, 2011)

## **Peru (PER)**

*Real GDP*: 1870-1900 (Bértola and Ocampo, 2012). 1900-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1870-1900 (Bértola and Ocampo, 2012). 1900-2016 (Bolt et al., 2018)

*Population*: 1870-1900 (real GDP divided by real GDP per capita). 1900-2016 (Bolt et al., 2018)

*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)

*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1948-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019). 1881-2 missing

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1883-2010 (Reinhart and Rogoff, 2011). 1959 and 1961-2 linearly interpolated as missing. 1968-71 and 1973-9 missing  
*Independence*: 1821 (Reinhart and Rogoff, 2011)

### **Philippines (PHL)**

*Real GDP*: 1946-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1946-2016 (Bolt et al., 2018)

*Population*: 1900-2016 (Bolt et al., 2018)

*Real imports*: 1946-60 (United Nations, 2020). 1960-2019 (World Bank, 2021). 1958-9 missing

*Real exports*: 1946-60 (United Nations, 2020). 1960-2019 (World Bank, 2021). 1958-9 missing

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1944-2018 (Marshall et al., 2019)

*Terms of trade*: 1941-9 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1948-2009 (Reinhart and Rogoff, 2011)

*Independence*: 1946 (Reinhart and Rogoff, 2011)

### **Poland (POL)**

*Real GDP*: 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1950-2016 (Bolt et al., 2018)

*Population*: 1946-2016 (Bolt et al., 2018)

*Real imports*: 1922-38 (Federico and Tena-Junguito, 2019). 1947-95 (United Nations, 2020). 1995-2019 (World Bank, 2021)

*Real exports*: 1922-38 (Federico and Tena-Junguito, 2019). 1947-95 (United Nations, 2020). 1995-2019 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019)

*Terms of trade*: 1922-38 (Federico and Tena-Junguito, 2019). 1960-2 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1986-2018 (International Monetary Fund, 2020b)  
*Independence:* 1918 (Reinhart and Rogoff, 2011)

### **Portugal (PRT)**

*Real GDP:* 1865-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1865-2016 (Bolt et al., 2018)  
*Population:* 1865-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1946-70 (United Nations, 2020). 1970-2019 (World Bank, 2021). 1960-9 missing  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1946-70 (United Nations, 2020). 1970-2019 (World Bank, 2021). 1960-9 missing  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019)  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1957-62 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1865-2010 (Reinhart and Rogoff, 2011)

### **Romania (ROU)**

*Real GDP:* 1920-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1920-2016 (Bolt et al., 2018). 1949 linearly interpolated as missing  
*Population:* 1920-2016 (Bolt et al., 2018)  
*Real imports:* 1870-1938 (Federico and Tena-Junguito, 2019). 1990-2019 (World Bank, 2021). 1914-9 missing  
*Real exports:* 1870-1938 (Federico and Tena-Junguito, 2019). 1990-2019 (World Bank, 2021). 1914-9 missing  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019). 1916 linearly interpolated as missing  
*Terms of trade:* 1870-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a). 1914-9 missing  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)



*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1995-2010 (International Monetary Fund, 2020b)  
*Independence:* 1878 (Reinhart and Rogoff, 2011)

### **Russia (RUS)**

*Real GDP:* 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1865-1960 (Barro and Ursúa, 2008). 1960-2016 (Bolt et al., 2018)  
*Population:* 1950-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1990-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1990-2019 (World Bank, 2021). 1919 missing  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019)  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1992-2019 (International Monetary Fund, 2020a). 1919 linearly interpolated as missing  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2008 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1992-2018 (International Monetary Fund, 2020b)

### **South Africa (ZAF)**

*Real GDP:* 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1924-2016 (Bolt et al., 2018)  
*Population:* 1950-2016 (Bolt et al., 2018)  
*Real imports:* 1905-38 (Federico and Tena-Junguito, 2019). 1946-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)  
*Real exports:* 1905-38 (Federico and Tena-Junguito, 2019). 1946-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1910-2018 (Marshall et al., 2019)

*Terms of trade:* 1905-38 (Federico and Tena-Junguito, 2019). 1946-62 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a)  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1865-1950 (Reinhart and Rogoff, 2011). 1950-2018 (International Monetary Fund, 2020b)  
*Independence:* 1910 (Reinhart and Rogoff, 2011)

### **Spain (ESP)**

*Real GDP:* 1865-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1865-2016 (Bolt et al., 2018)  
*Population:* 1865-2016 (Bolt et al., 2018)  
*Real imports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1946-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)  
*Real exports:* 1865-1938 (Federico and Tena-Junguito, 2019). 1946-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1865-2018 (Marshall et al., 2019)  
*Terms of trade:* 1865-1938 (Federico and Tena-Junguito, 2019). 1938-40 (Blattman et al., 2007). 1946-62 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a)  
*Wars:* Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio:* 1865-2010 (Reinhart and Rogoff, 2011). 1936-9 missing

### **Sri Lanka (LKA)**

*Real GDP:* 1870-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita:* 1870-2016 (Bolt et al., 2018)  
*Population:* 1870-2016 (Bolt et al., 2018)  
*Real imports:* 1946-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)  
*Real exports:* 1946-60 (United Nations, 2020). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises:* 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion:* Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity:* 1948-2018 (Marshall et al., 2019)

*Terms of trade*: 1943-8 (Blattman et al., 2007). 1948-62 (United Nations, 2020). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1865-1951 (Reinhart and Rogoff, 2011). 1951-2018 (International Monetary Fund, 2020b). 1915-49 missing

*Independence*: 1948 (Reinhart and Rogoff, 2011)

*Independence*: 1948 (Reinhart and Rogoff, 2011)

### **Tunisia (TUN)**

*Real GDP*: 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1950-2016 (Bolt et al., 2018)

*Population*: 1950-2016 (Bolt et al., 2018)

*Real imports*: 1965-2013 (World Bank, 2021)

*Real exports*: 1965-2013 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1959-2018 (Marshall et al., 2019)

*Terms of trade*: 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1970-2010 (International Monetary Fund, 2020b)

*Independence*: 1956 (Reinhart and Rogoff, 2011)

### **Turkey (TUR)**

*Real GDP*: 1923-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1865-1923 (Barro and Ursúa, 2008). 1923-2016 (Bolt et al., 2018)

*Population*: 1923-2016 (Bolt et al., 2018)

*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1970-87 (United Nations, 2020). 1987-2019 (World Bank, 2021). 1914-21 missing

*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1970-87 (United Nations, 2020). 1987-2019 (World Bank, 2021). 1914-21 missing

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019). 1918-21 missing  
*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a). 1914-21 missing  
*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio*: 1865-1958 (Reinhart and Rogoff, 2011). 1958-2018 (International Monetary Fund, 2020b). 1916-24 missing

### **United Kingdom (GBR)**

*Real GDP*: 1865-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita*: 1865-2016 (Bolt et al., 2018)  
*Population*: 1865-2016 (Bolt et al., 2018)  
*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1946-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)  
*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1946-70 (United Nations, 2020). 1970-2019 (World Bank, 2021)  
*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity*: 1865-2018 (Marshall et al., 2019)  
*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)  
*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio*: 1865-2010 (Reinhart and Rogoff, 2011)

### **Uruguay (URY)**

*Real GDP*: 1870-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita*: 1870-2016 (Bolt et al., 2018)  
*Population*: 1870-2016 (Bolt et al., 2018)  
*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1960-2019 (World Bank, 2021)  
*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019)

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1938-49 (Blattman et al., 2007). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1871-1990 (Reinhart and Rogoff, 2011). 1990-2018 (International Monetary Fund, 2020b). 1947-69 missing

*Independence*: 1811 (Reinhart and Rogoff, 2011)

### **Venezuela (VEN)**

*Real GDP*: 1870-2016 (real GDP per capita multiplied by population)

*Real GDP per capita*: 1865-2016 (Bolt et al., 2018)

*Population*: 1870-2016 (Bolt et al., 2018)

*Real imports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1973-2014 (World Bank, 2021)

*Real exports*: 1865-1938 (Federico and Tena-Junguito, 2019). 1973-2014 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)

*Polity*: 1865-2018 (Marshall et al., 2019)

*Terms of trade*: 1865-1938 (Federico and Tena-Junguito, 2019). 1962-2019 (International Monetary Fund, 2020a)

*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)

*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)

*Debt-GDP ratio*: 1914-50 (Reinhart and Rogoff, 2011). 1950-2014 (International Monetary Fund, 2020b)

*Independence*: 1829 (Reinhart and Rogoff, 2011)

### **Zambia (ZMB)**

*Real GDP*: 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)

*Real GDP per capita*: 1950-2016 (Bolt et al., 2018)

*Population*: 1950-2016 (Bolt et al., 2018)

*Real imports*: 1960-2010 (World Bank, 2021)

*Real exports*: 1960-2010 (World Bank, 2021)

*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity*: 1964-2018 (Marshall et al., 2019)  
*Terms of trade*: 1965-2019 (International Monetary Fund, 2020a)  
*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio*: 1970-2018 (International Monetary Fund, 2020b)  
*Independence*: 1965 (Reinhart and Rogoff, 2011)

### **Zimbabwe (ZWE)**

*Real GDP*: 1950-2016 (real GDP per capita multiplied by population). 2016-8 (World Bank, 2020)  
*Real GDP per capita*: 1950-2016 (Bolt et al., 2018)  
*Population*: 1950-2016 (Bolt et al., 2018)  
*Real imports*: 1976-2018 (World Bank, 2021)  
*Real exports*: 1976-2018 (World Bank, 2021)  
*Sovereign debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Contagion*: Measures based on distance, contiguity, colonial relationships and common languages, 1865-2010 (Mayer and Zignago, 2011; Reinhart and Rogoff, 2011)  
*Polity*: 1970-2018 (Marshall et al., 2019)  
*Terms of trade*: 1965-2019 (International Monetary Fund, 2020a)  
*Wars*: Intra-state, inter-state and extra-state wars, 1865-2014 (Sarkees and Wayman, 2010)  
*Banking crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Currency crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Domestic debt crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Inflation crises*: 1865-2010 (Reinhart and Rogoff, 2011)  
*Debt-GDP ratio*: 1964-2018 (International Monetary Fund, 2020b)  
*Independence*: 1965 (Reinhart and Rogoff, 2011)

## Appendix A. References

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## Appendix B. Decomposition of the OLS Estimates of $\beta_h$

The objective of this decomposition is to account for the contribution of various cause-specific effects of default to the all-cause effect of default. The parameter to be decomposed is the OLS estimate of  $\beta_h$  in:

$$y_{i,t+h} = \alpha_{i,h} + \gamma_{t,h} + \beta_h CRISIS_{i,t} + \theta_h W_{i,t} + e_{i,t+h} \quad (1)$$

In order to decompose  $\beta_h$ , we re-estimate equation (1) but including cause-specific, as opposed to all-cause, default:

$$y_{i,t+h} = A_{i,h} + \Gamma_{t,h} + B_{1,h}AD_{i,t} + B_{2,h}AS_{i,t} + B_{3,h}C_{i,t} + B_{4,h}CM_{i,t} + B_{5,h}L_{i,t} + B_{6,h}P_{i,t} \\ + B_{7,h}T_{i,t} + B_{8,h}U_{i,t} + \Theta_h W_{i,t} + \varepsilon_{i,t+h} \quad (2)$$

To simplify matters, re-write the country fixed effects as  $\alpha_{i,h} = \sum_{i=1}^I \alpha_{i,h} i_i$  and  $A_{i,h} = \sum_{i=1}^I A_{i,h} i_i$ , the time fixed effects as  $\gamma_{t,h} = \sum_{t=1}^T \gamma_{t,h} t_t$  and  $\Gamma_{t,h} = \sum_{t=1}^T \Gamma_{t,h} t_t$  and the controls as  $\theta_h W_{i,t} = \sum_{m=1}^M \theta_{m,h} W_{m,i,t}$  and  $\Theta_h W_{i,t} = \sum_{m=1}^M \Theta_{m,h} W_{m,i,t}$ , where the  $i$ s and  $t$ s are dummy variables for countries and years. Inserting these sums into equations (1) and (2):

$$y_{i,t+h} = \sum_{i=1}^I \alpha_{i,h} i_i + \sum_{t=1}^T \gamma_{t,h} t_t + \beta_h CRISIS_{i,t} + \sum_{m=1}^M \theta_{m,h} W_{m,i,t} + e_{i,t+h} \quad (3)$$

$$y_{i,t+h} = \sum_{i=1}^I A_{i,h} i_i + \sum_{t=1}^T \Gamma_{t,h} t_t + B_{1,h}AD_{i,t} + B_{2,h}AS_{i,t} + B_{3,h}C_{i,t} + B_{4,h}CM_{i,t} + B_{5,h}L_{i,t} \\ + B_{6,h}P_{i,t} + B_{7,h}T_{i,t} + B_{8,h}U_{i,t} + \sum_{m=1}^M \Theta_{m,h} W_{m,i,t} + \varepsilon_{i,t+h} \quad (4)$$

Re-writing (3) and (4) in terms of the mean:



$$\bar{y}_{i,t+h} = \sum_{i=1}^I \alpha_{i,h} \bar{l}_i + \sum_{t=1}^T \gamma_{t,h} \bar{t}_t + \beta_h \overline{CRISIS}_{i,t} + \sum_{m=1}^M \theta_{m,h} \bar{W}_{m,i,t} \quad (5)$$

$$\begin{aligned} \bar{y}_{i,t+h} = & \sum_{i=1}^I A_{i,h} \bar{l}_i + \sum_{t=1}^T \Gamma_{t,h} \bar{t}_t + B_{1,h} \overline{AD}_{i,t} + B_{2,h} \overline{AS}_{i,t} + B_{3,h} \bar{C}_{i,t} + B_{4,h} \overline{CM}_{i,t} + B_{5,h} \bar{L}_{i,t} \\ & + B_{6,h} \bar{P}_{i,t} + B_{7,h} \bar{T}_{i,t} + B_{8,h} \bar{U}_{i,t} + \sum_{m=1}^M \Theta_{m,h} \bar{W}_{m,i,t} \end{aligned} \quad (6)$$

Substituting  $\bar{y}_{i,t+h} = \sum_{i=1}^I \alpha_{i,h} \bar{l}_i + \sum_{t=1}^T \gamma_{t,h} \bar{t}_t + \beta_h \overline{CRISIS}_{i,t} + \sum_{m=1}^M \theta_{m,h} \bar{W}_{m,i,t}$  from equation (5) into the left-hand side of equation (6):

$$\begin{aligned} & \sum_{i=1}^I \alpha_{i,h} \bar{l}_i + \sum_{t=1}^T \gamma_{t,h} \bar{t}_t + \beta_h \overline{CRISIS}_{i,t} + \sum_{m=1}^M \theta_{m,h} \bar{W}_{m,i,t} \\ & = \sum_{i=1}^I A_{i,h} \bar{l}_i + \sum_{t=1}^T \Gamma_{t,h} \bar{t}_t + B_{1,h} \overline{AD}_{i,t} + B_{2,h} \overline{AS}_{i,t} + B_{3,h} \bar{C}_{i,t} + B_{4,h} \overline{CM}_{i,t} \\ & \quad + B_{5,h} \bar{L}_{i,t} + B_{6,h} \bar{P}_{i,t} + B_{7,h} \bar{T}_{i,t} + B_{8,h} \bar{U}_{i,t} + \sum_{m=1}^M \Theta_{m,h} \bar{W}_{m,i,t} \end{aligned} \quad (7)$$

The goal is to solve for  $\beta_h$ :

$$\begin{aligned} \beta_h \overline{CRISIS}_{i,t} = & \sum_{i=1}^I A_{i,h} \bar{l}_i - \sum_{i=1}^I \alpha_{i,h} \bar{l}_i + \sum_{t=1}^T \Gamma_{t,h} \bar{t}_t - \sum_{t=1}^T \gamma_{t,h} \bar{t}_t + B_{1,h} \overline{AD}_{i,t} \\ & + B_{2,h} \overline{AS}_{i,t} + B_{3,h} \bar{C}_{i,t} + B_{4,h} \overline{CM}_{i,t} + B_{5,h} \bar{L}_{i,t} + B_{6,h} \bar{P}_{i,t} + B_{7,h} \bar{T}_{i,t} + B_{8,h} \bar{U}_{i,t} \\ & + \sum_{m=1}^M \Theta_{m,h} \bar{W}_{m,i,t} - \sum_{m=1}^M \theta_{m,h} \bar{W}_{m,i,t} \end{aligned} \quad (8)$$

$$\begin{aligned}
\beta_h \overline{CRISIS}_{i,t} &= B_{1,h} \overline{AD}_{i,t} + B_{2,h} \overline{AS}_{i,t} + B_{3,h} \overline{C}_{i,t} + B_{4,h} \overline{CM}_{i,t} + B_{5,h} \overline{L}_{i,t} + B_{6,h} \overline{P}_{i,t} + B_{7,h} \overline{T}_{i,t} \\
&+ B_{8,h} \overline{U}_{i,t} + \sum_{i=1}^I (A_{i,h} - \alpha_{i,h}) \bar{i}_i + \sum_{t=1}^T (\Gamma_{t,h} - \gamma_{t,h}) \bar{t}_t \\
&+ \sum_{m=1}^M (\Theta_{m,h} - \theta_{m,h}) \overline{W}_{m,i,t}
\end{aligned} \tag{9}$$

Dividing by  $\overline{CRISIS}_{i,t}$ :

$$\begin{aligned}
\beta_h &= B_{1,h} \frac{\overline{AD}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{2,h} \frac{\overline{AS}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{3,h} \frac{\overline{C}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{4,h} \frac{\overline{CM}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{5,h} \frac{\overline{L}_{i,t}}{\overline{CRISIS}_{i,t}} \\
&+ B_{6,h} \frac{\overline{P}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{7,h} \frac{\overline{T}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{8,h} \frac{\overline{U}_{i,t}}{\overline{CRISIS}_{i,t}} \\
&+ \sum_{i=1}^I (A_{i,h} - \alpha_{i,h}) \frac{\bar{i}_i}{\overline{CRISIS}_{i,t}} + \sum_{t=1}^T (\Gamma_{t,h} - \gamma_{t,h}) \frac{\bar{t}_t}{\overline{CRISIS}_{i,t}} \\
&+ \sum_{m=1}^M (\Theta_{m,h} - \theta_{m,h}) \frac{\overline{W}_{m,i,t}}{\overline{CRISIS}_{i,t}}
\end{aligned} \tag{10}$$

Which can be simplified to:

$$\begin{aligned}
\beta_h &= B_{1,h} \frac{\overline{AD}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{2,h} \frac{\overline{AS}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{3,h} \frac{\overline{C}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{4,h} \frac{\overline{CM}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{5,h} \frac{\overline{L}_{i,t}}{\overline{CRISIS}_{i,t}} \\
&+ B_{6,h} \frac{\overline{P}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{7,h} \frac{\overline{T}_{i,t}}{\overline{CRISIS}_{i,t}} + B_{8,h} \frac{\overline{U}_{i,t}}{\overline{CRISIS}_{i,t}} + \vartheta_h
\end{aligned} \tag{11}$$

where  $\vartheta_h = \sum_{i=1}^I (A_{i,h} - \alpha_{i,h}) \frac{\bar{i}_i}{\overline{CRISIS}_{i,t}} + \sum_{t=1}^T (\Gamma_{t,h} - \gamma_{t,h}) \frac{\bar{t}_t}{\overline{CRISIS}_{i,t}} + \sum_{m=1}^M (\Theta_{m,h} - \theta_{m,h}) \frac{\overline{W}_{m,i,t}}{\overline{CRISIS}_{i,t}}$ .

Equation (11) shows that the OLS estimates of  $\beta_h$  in equation (1) are a weighted-average of the cause-specific effects, where the weights are the cause-specific contribution to the frequency of all-cause default, plus a term that accounts for the other variables in the model.

## Appendix C. Long-run International Chronologies of Sovereign Debt Crises

This appendix describes and compares the leading long-run international chronologies of sovereign default of Lindert and Morton (1989), Suter (1992), Purcell and Kaufman (1993) and Reinhart and Rogoff (2009, 2011).

### I. Description

#### 1. Lindert and Morton (1989)

*Coverage:* 157 countries between 1820 and 1986.

*Definition:* “A debt crisis exists if in the absence of a better offer, the debtor would rather impose unilateral nonrepayment than repay fully. While there may be some incentive to bluff in such matters, let us accept insistent statements by a debtor government that it ‘cannot’ repay fully without help or concessions from others as good prima facie evidence that it will not repay fully without such help. That is, as a rule of thumb, a debt crisis exists if the debtor says it does” (Lindert and Morton, 1989).

*Sources:* Bitterman (1973), Clarke (1879), Corporations of Foreign Bondholders (various), Dillon and Oliveros (1987), Foreign Bondholders’ Protective Council (various), Hardy (1982), International Bank for Reconstruction and Development (various), Moody’s (various), United Nations (1948), Watson et al. (1986) and Winkler (1933).

#### 2. Suter (1992)

*Coverage:* 42 defaulting countries between 1820 and 1985.

*Definition:* “The concept of ‘debt crisis’ as utilized in this study is defined as the incapacity or unwillingness of sovereign borrowers to meet their debt-service obligations.” (Suter, 1992).

*Sources:* Marichal (1989) and Suter (1990).

#### 3. Purcell and Kaufman (1993)

*Coverage:* 72 countries between 1800 and 1992.

*Definition:* “Identified extended periods (six months or more) where all or part of interest and/or principal payments due were reduced or rescheduled. Some of the defaults and reschedulings involved outright repudiation (a legislative or executive act of government

denying liability) while others were minor and announced ahead of time by debtor nations in a conciliatory fashion. The end of each period of default or rescheduling was recorded when full payments resumed, or a restructuring was agreed upon. Periods of default or rescheduling within five years of each other were combined” (Purcell and Kaufman, 1993).

*Sources:* Borchard (1951), Corporations of Foreign Bondholders (various), Foreign Bondholders’ Protective Council (various), Hardy (1982), International Monetary Fund (1992), Suter (1992) and Winkler (1933).

#### 4. Reinhart and Rogoff (2009)

*Coverage:* 66 countries between 1800 and 2008.

*Definition:* “A sovereign default is defined as the failure of a government to meet a principal or interest payment on the due date (or within the specified grace period). These episodes include instances in which rescheduled debt is ultimately extinguished in terms less favorable than the original obligation” (Reinhart and Rogoff, 2009, p. 11).

*Sources:* Lindert and Morton (1989), Macdonald (2006), Purcell and Kaufman (1993), Reinhart et al. (2003), Standard and Poor's (various) and Suter (1992).

#### 5. Reinhart and Rogoff (2011)

*Coverage:* 70 countries between 1800 and 2010.

*Definition:* “External debt crises involve outright default on payment of debt obligations incurred under foreign legal jurisdiction, including nonpayment, repudiation, or the restructuring of debt into terms less favorable to the lender than in the original contract.” (Reinhart and Rogoff, 2011).

*Sources:* Lindert and Morton (1989), Standard and Poor's (various), Suter (1992) and Tomz (2007).

## II. Comparison

Table C1 presents some summary statistics (crises, country-years, probability and frequency) for the leading long-run chronologies of sovereign debt crises for a common sample of 35 countries between 1870 and 1985. The consensus is that crises occurred with an unconditional probability of around 3 per cent with an average frequency of one crisis every 30-44 country-years.

Table C2 reports the concordance between chronologies. The upper triangular elements represent the unconditional probability of a crisis occurring in one of the row or column chronologies occurring in both the row and column chronologies. For example, 25 per cent of the crises that are recorded in either Lindert and Morton (1989) or Purcell and Kaufman (1993) occur in both of these chronologies. The two chronologies with the least overlap are Lindert and Morton (1989) and Suter (1992), sharing 16 per cent of crises. The two with the most overlap are Reinhart and Rogoff (2009) and Reinhart and Rogoff (2011), which have 83 per cent of crises in common.

Table C1. *Major Chronologies of Sovereign Debt Crises: Summary Statistics*

	Crises	Country- years	Probability (%)	Frequency (Years)
Lindert and Morton (1989)	108	3,656	2.95	33.85
Purcell and Kaufman (1993)	87	3,656	2.38	42.02
Reinhart and Rogoff (2009)	121	3,656	3.31	30.21
Reinhart and Rogoff (2011)	122	3,656	3.34	29.97
Suter (1992)	84	3,656	2.30	43.52

*Notes:* This table shows the number of crises, country-years, probabilities and frequencies associated with alternative chronologies for 35 countries between 1870 and 1985.

Table C2. *Major Chronologies of Sovereign Debt Crises: Concordance*

	Lindert and Morton (1989)	Purcell and Kaufman (1993)	Reinhart and Rogoff (2009)	Reinhart and Rogoff (2011)	Suter (1992)
Lindert and Morton (1989)	100	25.00	28.65	28.49	16.36
Purcell and Kaufman (1993)		100	60.00	58.33	52.68
Reinhart and Rogoff (2009)			100	82.71	60.16
Reinhart and Rogoff (2011)				100	57.25
Suter (1992)					100

*Notes:* This table shows the unconditional probability of a crisis occurring in one of the row or column chronologies occurring in both the row and column chronologies for 35 countries between 1870 and 1985.

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