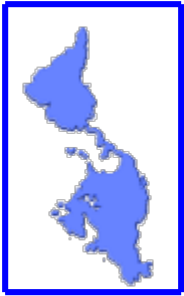


Comments on: Sovereign Default
by
J. Ams, R. Baqir, A. Gelpern, and C. Trebesch

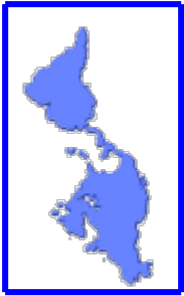
Graciela L. Kaminsky
George Washington University and NBER

Conference on Sovereign Debt:
A Guide for Economists and Practitioners
International Monetary Fund
September 13 and 14, 2018, Washington, D.C.



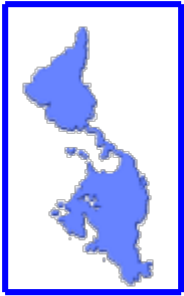
Summary of the Paper

- **Extremely detailed and exhaustive review of the literature on sovereign defaults.**
- **A large variety of topics covered:**
 - **What is a Sovereign Default? Definitions: Technical Default; Contractual Default, Substantial Defaults. Also analysis of contractual defaults on market instruments and on official debt.**
 - **Sovereign's Decision to Default**
 - **Official versus Private Sector**
 - **Foreign and Domestic Creditors**
 - **Bond and Loans**
 - **What triggers a default?**
 - **The costs of defaults**
 - **Reducing the incidence of defaults and the cost of default.**



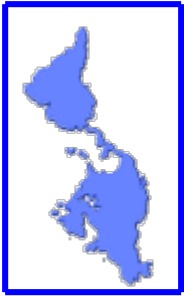
What Triggers a Default?

- Summary of about 30 research papers.
- **Idiosyncratic and Global Economic Factors**
 - **Idiosyncratic:** Recessions, insolvency, liquidity, banking crises, domestic political and institutional factors.
 - **Global:** Terms of trade, crises in the financial center, global recession.
- **Self-Fulfilling Crises**
 - Contagion, herding panics, and policies to avoid entering the crisis.
- **Legal Determinants:** such as, Collective Action Clauses



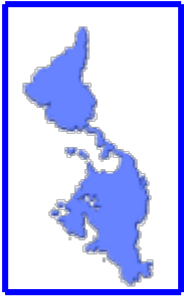
The Costs of Defaults

- **Summary of about 40 research papers.**
- **Economic, financial, and legal costs:**
- **Loss of market access and borrowing costs changes: Transitory or Persistent?**
- **Ratings downgrades? Exclusion from benchmark indices and lack of liquidity of bonds.**
- **Output contraction: Transitory or Persistent?**
- **Trade decline**
- **Effects on the private sector: Does the private sector lose access to international markets after a sovereign default?**
- **Defaults and credit collapse**
- **Lawsuits such as Argentina following the 2001 default.**



What is the Scope of the Empirical Evidence?

- It would be important to summarize in Tables the results of the literature.
- **What Triggers a Default?**
 - Study, Sample, and Frequency
 - Country Coverage
 - Indicators
 - Comments
- **Costs of Defaults**
 - Types of Costs of Defaults: Loss of Market Access, Economic Growth, International Trade, Effects on the Private Sector, Effects on Banks
 - Study, Sample, and Frequency
 - Country Coverage
 - Findings: Persistence of effects?



Reducing the Incidence and the Cost of Defaults

- **Previous reviews of the literature on defaults mostly do not examine policies to reduce the costs of defaults.**
- **This review tackles the problem of insufficient and repeated restructurings.**
- **Reviews the changes in IMF policy on restructuring and exceptional access to loans.**
- **It does not cover studies linking type of restructurings and, for example, persistence of recessions and how long it takes for countries to return to capital markets. Perhaps adding studies dealing with these issues.**