

1. Record Nr.	UNINA9910463636103321
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Titolo	The costs of sovereign default // Eduardo Borensztein and Ugo Panizza
Pubbl/distr/stampa	[Washington, District of Columbia] : , : International Monetary Fund, , 2008 ©2008
ISBN	1-4623-3157-2 1-4527-0165-2 1-4518-7096-5 1-282-84189-0 9786612841897
Descrizione fisica	1 online resource (52 p.)
Collana	IMF Working Papers IMF working paper ; ; WP/08/238
Altri autori (Persone)	PanizzaUgo
Disciplina	336.3435
Soggetti	Debts, External - Econometric models Default (Finance) - Econometric models Debts, Public Financial crises - Econometric models Bank failures - Econometric models Electronic books.
Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	Description based upon print version of record.
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	Contents; I. Introduction; II. Two Hundred Years of Sovereign Default; III. Default and GDP Growth; IV. Default and Reputation; V. Default and International Trade; VI. Default and the Domestic Banking System; VII. Political Implications of Default; VIII. Conclusions; References; Figures; 1. Number of Defaults (1824-2004); Tables; 1. Default Episodes; 2. Default and Growth, Panel 1972-2000; 3. Default and Growth, Panel 1972-2000; 4. Default and Credit Ratings, Cross Section Regression, 1999-2002; 5. Defaults and Bond Spreads, Panel Regression, 1997-2004; 6. Default and Trade Credit 7. Default and Trade: Does Trade Credit Matter?8. Probabilities of Default and Banking Crisis; 9. Default and Industry Value-Added

Growth; 10. Defaults and Elections; 11. Type of Default; 12. Type of Default and Government; Appendix Tables; A1. Private Lending to Sovereign. Default and Rescheduling; A2: Logit Model for the Probability of Default

Sommario/riassunto

This paper evaluates empirically four types of cost that may result from an international sovereign default: reputational costs, international trade exclusion costs, costs to the domestic economy through the financial system, and political costs to the authorities. It finds that the economic costs are generally significant but short-lived, and sometimes do not operate through conventional channels. The political consequences of a debt crisis, by contrast, seem to be particularly dire for incumbent governments and finance ministers, broadly in line with what happens in currency crises.
